

# Annual Report 2004



Year ended March 31, 2005

ISIN code FR0004031839

Mnemonic: CYB



TANFOGLIO

COLT

DESERT EAGLE



UZI

MAUSER



FAMAS

Auto-Ordnance Corporation

Reports LLC



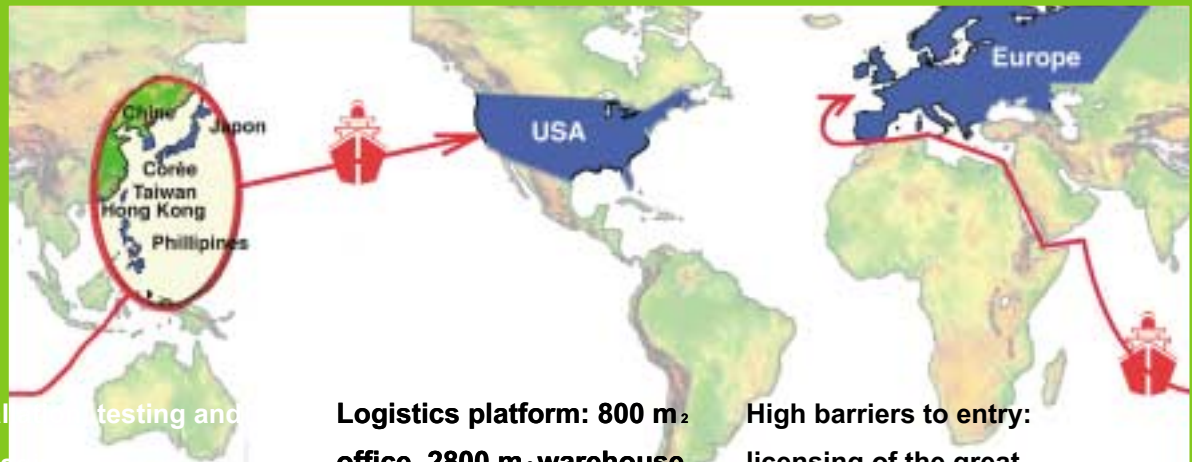
SIG SAUER



Thompson

# Vertical integration

## Flow of goods



al testing and  
kaging  
tols in Asia

**Logistics platform: 800 m<sup>2</sup>  
office, 2800 m<sup>2</sup> warehouse  
in Bondoufle**

**High barriers to entry:  
licensing of the great  
names of the defense:**

(Visit Jerome Marsac, April 2004)

(30 km south of Paris)



**Smith & Wesson**  
American Gun Corporation

Horace Smith and Daniel B. Wesson came from old New England families. They FORMED Their First partnership in 1852 in Norwich, Connecticut, goal failed. They FORMED Their second partnership in 1856 to Produce a small revolver, qui Was the first successful fully self-contained cartridge revolver available in the world! In 1869 They completed a new design: The Model 3 American, qui Was the first wide caliber cartridge revolvers, and Smith & Wesson Established as a world leader in handgun manufacturing. After Horace Smith Sold His share to DB Wesson, the company Introduced the .38 Military & Police (today called Expired Model 10) Then, in 1935, the first magnum revolver: the .357 Magnum, and in 1955 the Model 39 ... The Model 29 chambered in .44 magnum (the famous one of "Dirty Harry") Was unveiled in

1956, and in 1960 S & W Began to Produce the Model 60, launching the era of stainless steel firearms. Since 1852 till now, Smith and Wesson HAS always beens a leader, and today the company proudly trusts Cybergun to Produce Exclusive quality Smith & Wesson softairs.



## Letter from the President

Dear Shareholder,

**CYBERGUN realized in 2004 a consolidated sales figure of duty 25 million,** an increase of 26% over the previous year. The net income was 0.9 million against € 1 million in 2003.



Cybergun generated EBITDA of € 2.89 million, representing 11.51% of revenue, up 8% on last year. Excluding the increase in costs of raw materials (goods + 3%), the impact of the overvaluation of the euro and the effect of non-recurring and extraordinary expenses, your company would have achieved - comparable basis - EBITDA of 3,73 million euros, representing 15% of revenue, up 39% on last year.

**The year 2004 was marked by the success of the conquest of the West, beyond the expectations that we mentioned in the Annual Report 2001 (year ended March 31, 2002).** Indeed, March 31, 2005, CYBERGUN was already present in 2600 "chain stores" (1300 against the previous year), and California banks opened a line to finance customers outstanding 80%. In July 2005, Cybergun should count more than 4000 across the Atlantic outlets. This anticipated tripling of sales points led the management of your company to decide to close 3 "centers services," opened in the US in early 2004. These "showrooms" were intended to convince new distributors of the relevance of a wide assortment of products CYBERGUN. Their mission accomplished, and given the strong generated losses (450 000 USD for 2004), it was decided to close these stores sooner than expected.

In the same logic, the 5 CYBERGUN stores in Paris and the Paris region were sold to Thierry Naccache, former CEO and Director of CYBERGUN.

**This withdrawal of all "public sale" will allow your company to improve its results from the 2<sup>nd</sup> half of 2005 (October 2005-March 2006).**

**The group says so in 2005 its desire to focus on its creator heart-operator business, 19 licenses to value its portfolio currently includes (acquisition in September 2004 of BERETTA® sublicense).** The BAX system - exclusive patent CYBERGUN improving shooting accuracy - is being set up on the new M4A1 COLT® Korea. It is also integrated in the production of the new Desert Eagle™, formerly made in Taiwan, and now made in China factories.

The aim USA 2005 will also be based on the management of operations and improved financial result, inventory reduction and the establishment of an operational management control.

For development to large international CYBERGUN considering opening a business structure in Japan, to import including its latest models made in China. Through new multi-year contracts to sub-license, Cybergun also has operations in many Asian territories.

**The dividend paid in September 2004 was up 75% to enable our shareholders to benefit one last time for the tax credit.** This year, Management proposes to the General Meeting an identical net dividend of 0.56 euro per share, reflecting the good prospects for the current year. The dividend is payable in cash or in new shares at the shareholder's option, subject to approval by the General Meeting of 20 July 2005. The major shareholders have indicated they want to opt for payment in shares.

With your trust, CYBERGUN continues its development with confidence and ambition, I thank you.

**Jerome Marsac,**  
*Chairman of Cybergun SA*



## Company Background

In 1983 Jérôme Marsac, enthusiast models, created with Vincent Bouvet his own company: CIMB Commercial and Industrial Marsac Bouvet - import and distribution business models and radio models - ordered from specialist dealers.

With a meteoric rise in activity (volume of 47 MF business in 1990 with a workforce of 30 people), and expansion of the range, CIMB quickly became a "leader" in the market for dynamic models in France. She JOUEF interests the group, national manufacturer of model trains, in which it is sold in 1991.

At the same time, the company "The Three Towers" was created in 1986 for business models "ready to fly" (as opposed to the kit). She gradually develops its activity and became in 1993 an import company and distributor of original products ...: Air Soft Gun®, imitation replica pistols plastic beads 6 mm. Low power and therefore harmless, these copies to multiple reproduction capabilities are reserved for adults only.

The company then became an SA sign in 1997 his first European exclusive license agreement (today expanded the world) with Smith & Wesson®. This contract enables the import and distribution of brand models whose intellectual property rights are guaranteed. Other major defense names (COLT®, SIG SAUER, TAURUS®, IMI (UZI®) DESERT EAGLE™,

FAMAS, TANFOGLIO®, MAUSER, THOMPSON® SELF-ORDNANCE, KALASHNIKOV ...) aware of challenges it represents, do not hesitate to follow the movement (see license certificates in 3<sup>rd</sup> cover). "The Three Towers" becomes in a few years a world leader on the market of the exact replica pistol licenses. Most of the brands owned by The Three Towers experiencing unparalleled reputation, guarantee the company a success story. Between 1996 and

1999, CA was up 400%. The Three Towers simplifies its name to "3P".

And on 9 December 1999 between the company on the open market of the Paris Bourse.

At the beginning of 2000, 3P signs an exclusive worldwide license agreement with COLT® on the brand and all of its models (including video pistols). BERETTA®, and TAURUS® DESERT EAGLE™ are quick to follow, offering 3P new opportunities.

In September 2001, 3P SA became Cybergun SA 2001 is also the year of the first order intake in the US, yet untapped by Cybergun territory.

In 2002, the US market is taking off, and will represent the end of the fiscal year (ended March 31, 2003) 24.1% of total sales Cybergun (33.3% of export). In Europe, sales continue, with the conquest of new markets, particularly in Eastern Europe, and the signing of new licenses with

Japanese market participants. 2002 will also be the year of major investments:

- R & D: molds purchases, packaging designs, technical innovations
- Acquisition of new licenses: Thompson / Auto ordnance 1<sup>st</sup> April Eric Grauffel - Double World Champion IPSC - July 31 and DPMS Panther Arms on 19 September. On 5 July 2002, Cybergun managed his transfer to the second market of Euronext.

2003 appears as a year of growth (+ 66%), mainly driven by the US. This success has justified the creation of the CYBERGUN USA LLC subsidiary in November 2003 in Fort Lauderdale, Florida, and hiring qualified staff to support the SOFTAIR USA distributor, including John Steele, formerly vice president of licensing at SMITH & WESSON . 2003 was also the year deposits of 2 revolutionary patents: BAX and CYCLONE.

1<sup>st</sup> April 2004 CYBERGUN purchases its wholesale distributor SOFTAIR USA, which becomes a 100% subsidiary of the group. During the year, CYBERGUN negotiating a major contract with a large chain of stores, bringing the number of outlets from 1 300-2 600 in the USA. End of September 2004, Cybergun acqui t st

Lali decency Beret ta 19<sup>th</sup> brand in its portfolio. In January 2005, Eric Gruau, 38, replaces Thierry Naccache as Managing Director.





## The team

The team has a strong complementarity:

- Jerome Marsac  
**President**  
*ODP Insead Fontainebleau, 1995/1996*
- Eric Gruau  
**General manager**  
*Executive MBA Sup de Co Rennes, 2004-2005, motivational Management (CRECI), 1996  
graduate of the International School of Administration and Business 1991*
- Vincent Bouvet  
**Legal council**  
*Law degree*
- François Rabazzani  
**Administrative and financial director**  
*DECS (accountant)*
- Eric Duchange  
**President of the USA subsidiary SOFTAIR**  
*Master of Business Administration, San Francisco 1993*
- Eric Gautier  
**Sales and Marketing Manager SOFTAIR USA**
- John S. Steele  
**USA Executive Director and management of licensing agreements**  
*Business and Accounting Degree (Menlo School of Business Administration) Bachelor of Science Degree (1969)*
- Keisuke Taketomi  
**Marketing and Japan under license**  
*University graduate RYUTSUE Keizai (trading and distribution), Tokyo 1983*
- José Rosas  
**Marketing Europe and USA**  
*DEUG Economics*
- Marc Courcelle  
**IT manager**  
*Apple Technical Services Modules*
- Olivier Gualdoni  
**Export Sales Manager Europe**  
*Master Physics and Master Marketing*
- Michel Moïoli  
**Sales Manager France**
- Bertrand Marsac  
**R & D manager, quality control and**  
*University Diploma of Technology Mechanical Engineering, University of Paris 1983  
Specialization Certificate Aerospace Center Helicopter Structure, University of Paris 1983*
- Denis Wittner  
**Technical manager and Asia sourcing**  
*Patent specialty Métiers d'Art Armory 1998 Specialist Certificate gunsmith small arms by police 2001*
- Jean-Louis and Nicole Huang Lorient  
**Responsible stocks, logistics and supplier relations**
- Claudine Puyo and Sylvie Durand  
**Leaders Accounting customers and suppliers**  
*BTS Management Accounting  
Accountants Financial Studies*
- Véronique Nebon  
**Head of European stock**



## The company and its products

### 1 / The Soft Air Gun®: the heart of the leisure civilization:

Plastic or metal, Air Soft Gun® plan plastic beads with a power less than

0.5 joule, ensuring perfect safety. The price range of the products, manufactured exclusively in Asia (Taiwan, Japan, South Korea, the Philippines and China), extends from 15 to 500 Euro with an average price below 60 Euro.

### The 4 Cybergun markets are:

1. outdoor sport: excellence in leisure product, providing real sensations through optimal precision shooting, Air Soft Gun® attract shooters both amateur and professional (especially fans of paintball).
2. Target shooting: by offering faithful replicas of the original weapons, endowed with impressive precision shooting for their low energy, Cybergun has attracted a clientele of security professionals.
3. Collectors: attracted to the accuracy and authenticity of replicas at a cost quite reasonable, they are for Cybergun loyal customers.
4. Fans of big screen: Cybergun has a special promotion through regular output action movies where guns are important ( "The Matrix," "Lethal Weapon," "Tomb Raider" etc. ...).

### 2 / A performing commercial organization: A / An extensive distribution network in Europe:

Cybergun has chosen to concentrate its actions on wholesalers and independent retailers. To develop these markets, Cybergun launched in France and Belgium the "windows contracts": provision of a window adapted to the presentation of exceptional payment products and deadlines. Their success is obvious since on average observed a doubling of sales per outlet following the accession to this commercial offer. Over 20 stores have also become "corners", devoting most of their surface to Air Soft Gun® in return for substantial support Cybergun (free availability of several windows, advertisements in national magazines, facilities of payment). In Europe, Cybergun working with reliable partners, often exclusive, and sometimes bound by a purchase contract for the year (Sportsmarketing UK, AB background Products in Sweden). In Eastern Europe saw the emergence of Cybergun substantiels markets like Slovenia and Poland ...

### B / A global market:

Already firmly established internationally (86% of sales in over 20 countries), Cybergun has two key markets outside France.

- Agreements in Asia: Cybergun signed for the first time in December 1999, 3 sublicense agreements with independent Japanese producers who give their

the right to manufacture and distribute some of the brands which owns the license Cybergun. Today, more than 30 agreements were signed, in Japan, in Korea but also in other Asian countries. These allow beneficiaries to market legally Air Soft on Gun®

the market

Asian, opening Cybergun a considerable market.

- The American presence: Cybergun developed there for 6 years now through Softair USA, became a 100% subsidiary in April 2004. In 2001, SOFTAIR USA took its first orders from domestic wholesalers today its client portfolio has grown, with more than 2,600 outlets covering virtually the entire American territory. Large retail chains "outdoors" have now set up a permanent SOFTAIR radius between the radius and the Paintball Gun beam lead.

With 45,000 dealers in the US, the potential turnover in this market remains significant.

### 3 / Legal expertise in licensing

department: A / licenses

brands and models:

The portfolio evolves with the integration of a BERETTA® sublicense. The maturities of certain licenses are renegotiated for an even longer period. New sub-licenses are granted in Asia.

### B / The fight against counterfeiting:

The procedures educated in Denmark were concluded by transactions



the benefit will result Cybergun and more cost.

Similarly, convictions were obtained in Italy, where transactions are under discussion.

Actions were carried out successfully in Germany.

In France, several counterfeit seizures were made by the French Customs.

Cybergun systematically prosecute offenders who are thus brought to Correctional. Several pirates were indicted.

Actions came to an end in favor of Cybergun, like an Italian pirate attack in France or Switzerland surprised by Customs Post.

#### **C / The consequences of actions:**

The seizures of goods and / or accounting among counterfeiters recent years in Holland, Denmark, Switzerland, Great Britain, Italy, Spain, France, USA, are followed by convictions or transactions in which hackers recognize their wrongs, recognize Cybergun intellectual rights and undertake to respect them.

Therefore, now healthier market will require more significant investment for the future. The actions are precedent and discourage piracy tendencies. And that, in a particularly efficient customs supervision of context

under the European regulation.

These actions also allow to acquire businesses or to open business opportunities.

#### **D / Protection of intellectual**

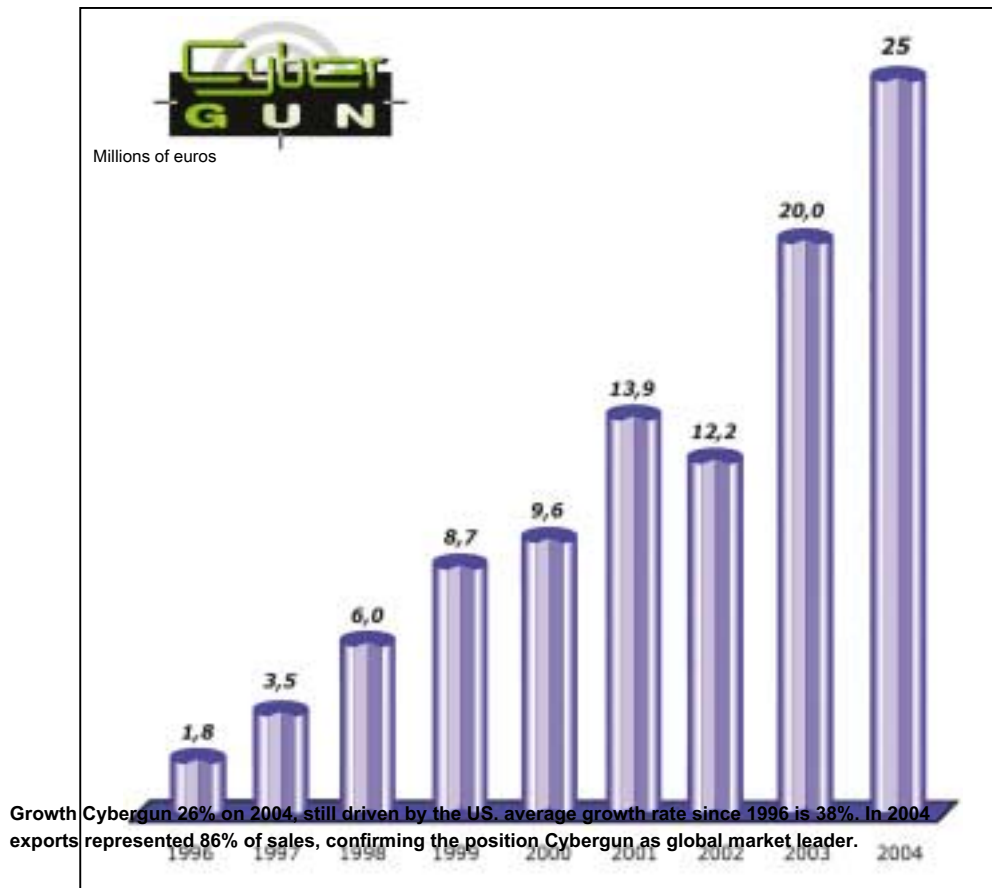
##### **rights:**

Cybergun continues its active policy of trademark registrations and renewal of existing brands as well as deposit and expansion of international patents.



## ► Analysis of activity

1/2004 1996 to CA Change

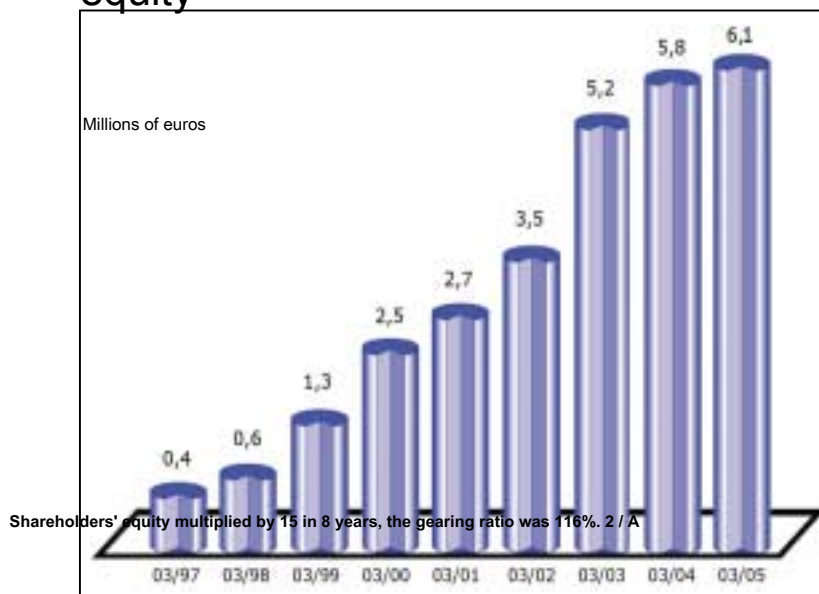




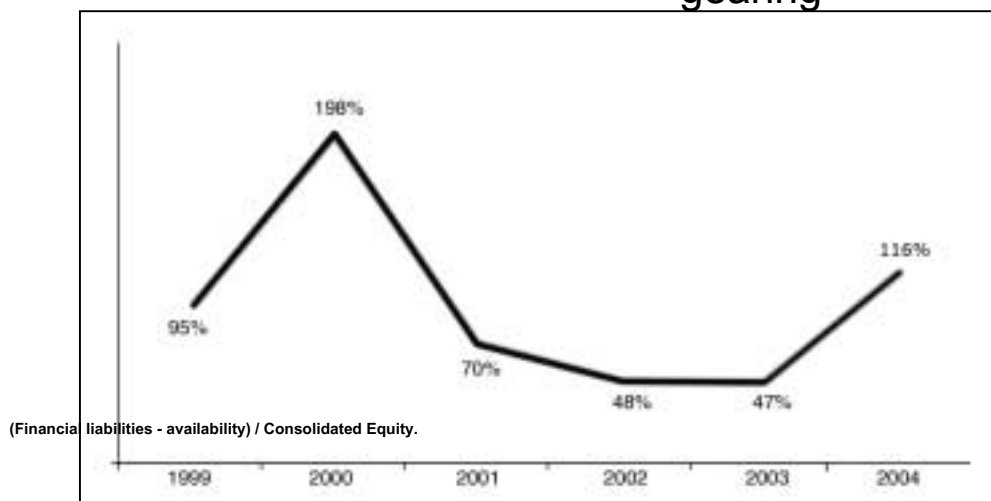


virtuous growth

## equity



## gearing



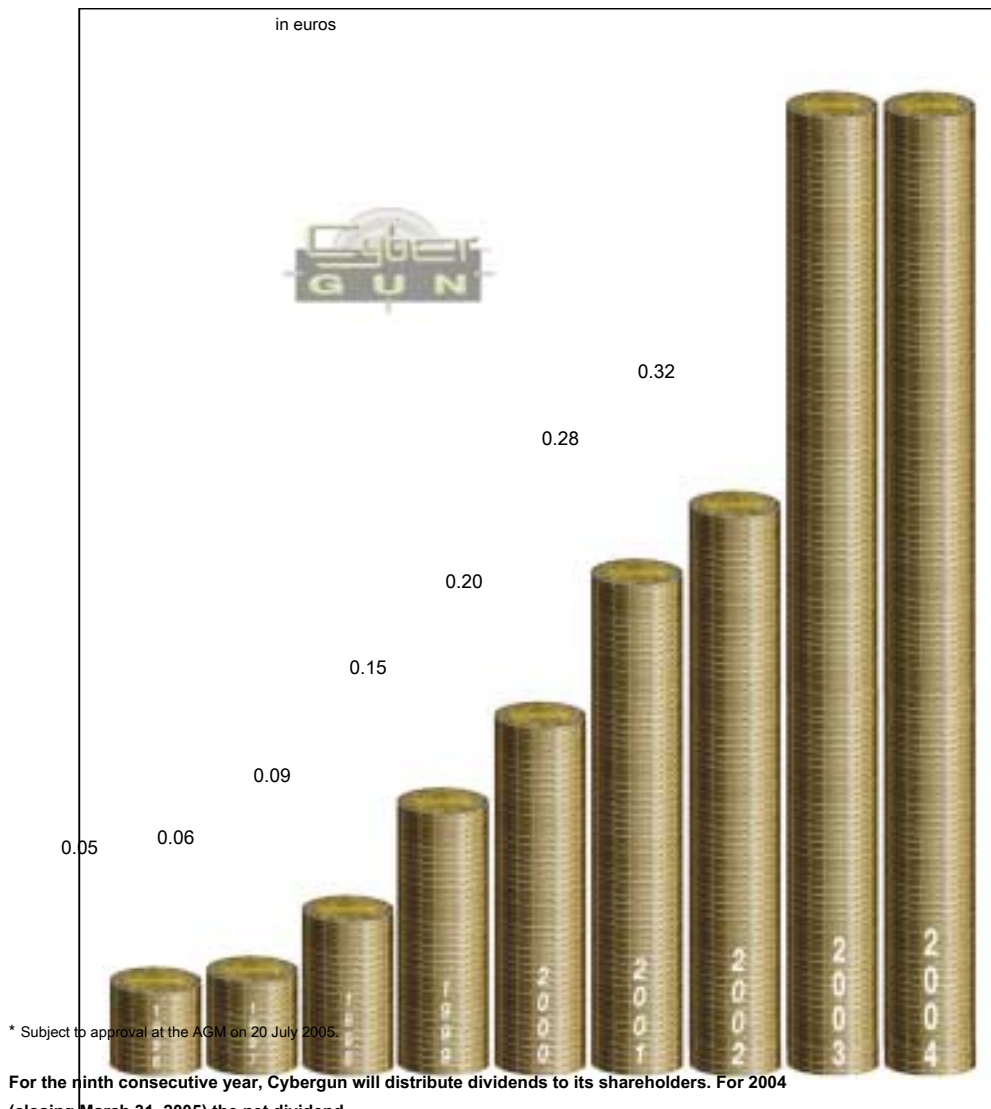


## ► The Shareholder information and investor

1 / Evolution of the dividend since 1996:

### net dividends per share

0.56 0.56 \*

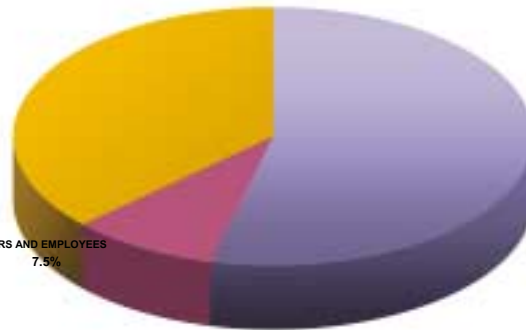


For the ninth consecutive year, Cybergun will distribute dividends to its shareholders. For 2004 (closing March 31, 2005) the net dividend

- which will be submitted for your approval at the General Meeting of 20 July 2005 will be \$ 0.56 net per share.



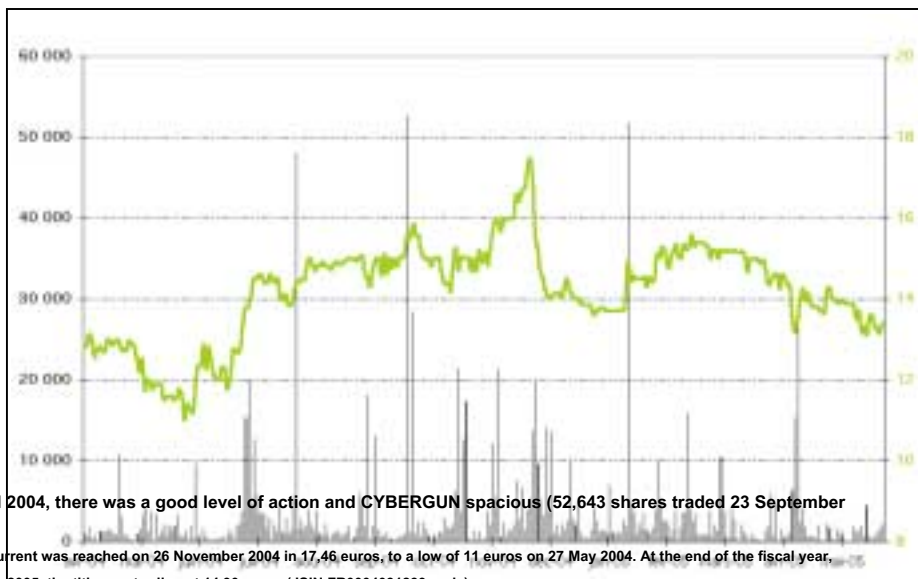
## Shareholding Structure

PUBLIC  
38.8%MARSAC FAMILY  
53.7%OFFICERS AND EMPLOYEES  
7.5%

## 3 / share price Evolution 2 /

Volume of shares traded daily

euro Closing price



Learn all about the CYBERGUN  
financial news,  
visit [www.cybergun.com](http://www.cybergun.com) ,  
corporate section

## Company contacts:

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50 24 18 - Email: [ctremeau@viel.com](mailto:ctremeau@viel.com)



## Chairman's Report on Internal Control

The Financial Security Act of 1<sup>st</sup> August 2003 introduced the principle by which the President of the Board shall submit to the Ordinary General Meeting of Shareholders for fiscal years beginning on or after 1<sup>st</sup> January 2003, a report which reflects the conditions of preparation and organization of the Board and internal control procedures implemented by the company. Recall that the internal control procedures is to:

- On the one hand, to ensure that management acts or execution of operations and staff behavior are within the framework defined by the guidance to business operations not the corporate bodies, by the laws and applicable regulations, and by the values, standards and internal rules of the company.
- On the other hand, to check that the accounting, financial and management information to corporate bodies of the company accurately reflects the business and position of the company. For readability, we present here a simple, concise report.

### 1 / CORPORATE GOVERNANCE AND GENERAL ORGANIZATION

The company is chaired by Jérôme Marsac, founder and majority shareholder.

At the meeting of the Board on 11 January 2005  
Mr Eric Gruau resigned from his

director and was appointed **General manager**. On 31 March 2005, five members of the Board are therefore Jerome Marsac Thierry Naccache, Jean Pierre Le Coadou, Jacques Marsac and Jean-Marc Azoulay. This represents a significant proportion of independent members of the Company management. The five directors are elected by the Ordinary General Meeting for 6 years, they are re-elected, but can be removed at any time by the AGM, even if the dismissal is not on the agenda.

Given the nature and functioning of society, the Council considered it useful to create a **Management Committee, which integrates over Jerome Marsac, Chairman and Eric Gruau, Managing Director, the General Counsel Vincent Bouvet and**

the Chief Financial Officer François Rabazzani. This collective operation that important decisions always take into account the strategic imperatives, technical, legal and financial. This Management Committee meets when it deems necessary, and at least once a month, at meetings for a period of 2 hours. It allows the sharing of information and strategic thinking, where all current and future directions of the company are discussed and validated collectively.

**Board of directors determines the** direction of the company's activities and oversees their implementation. It meets at the call of its Chairman, Jerome Marsac, as often as the interest of the company requires, and at least 2 times per year. The presence of at least half of adminis-

tors is required. The Governing Council of 11 January 2005 authorized the participation in its meetings by video conference. Decisions are taken by majority vote of the members present or represented. In case of a tie, the chairman has the casting vote. The elements presented for discussion to the Board are prepared by the Chairman and member of the Board handling the case to discuss. For the preparation of major decisions, the company relies on its external advice in legal, tax and employment law. Subject to the powers expressly granted by law to shareholders' meetings and within the limits of the corporate purpose, the Board considers all matters concerning the smooth running of the company and settles matters concerning it.

The Board of Directors of 11 January 2005 appointed **Eric Gruau in place of General manager for an indefinite period**. The Chief Executive Officer has the broadest powers to act in all circumstances on behalf of the company. He exercises his powers within the limits of the corporate purpose and subject to the powers expressly granted by law to general meetings and board of directors. However, without the authorization of the Board of Directors, the Director General will take the following commitments:

- Any contribution of all or part of company assets to a company or to be made;



- Any investment or divestment in excess of EUR 150 000 per transaction;
- Any commitment in excess of 500 000 which is exceptional and does not fit into the company's budget;

All major commitments and all the regulations are signed by Eric Gruau. Orders for goods made by Jean-Louis Lorient, Purchasing Manager.

**The administrative and financial functions** are under the supervision of François Rabazzani with a person in charge of managing receivables and litigation, and a person in charge of cash management, wages, insurance and providers. An accountant and two auditors also carry out inspections in their external mission.

**The company SOFTAIR USA** exclusive distributor in the US, became a 100% subsidiary of Cybergun in April 2004. It is chaired by Eric Duchange, which has delegated powers defined by the President of Cybergun.

## 2 / INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

Recall that internal control is a set of procedures involving the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness

the accounting records and the timely preparation of accounting and reliable financial information.

**The responsibility of the insurance management** is assigned to the CFO and the presidents of subsidiaries. The insurance requirements and coverage levels are reviewed at least once a year in order to verify compliance with the regulations and requirements of society.

The Cybergun Group has taken out several insurance, including:

- Civil liability "exploitation" covers the physical, material and immaterial principal as well as consecutive.
- professional / industrial casualty.
- Operating loss.
- Freight, and acts of war by land, sea and air. These contracts reflect the Cybergun prevention policy and cover all risks both on the material plane, on a human level.

**The customer risk has been sidelined since** the takeover in April 2004 SOFTAIR USA, which in 2003 accounted for 60% of business turnover Cybergun. March 31, 2004, the subsidiary SOFTAIR USA distributes products to more than 2600 outlets in the US.

**The supplier risk does not exist, since** firstly the Cybergun group supplies to Asian subcontractors mussels he has the exclusivity of its licenses, and also distributes

manufacturing a model on several suppliers.

**Qualities controls** are set up by the VERITAS directly from the major suppliers, who will assume the cost of control if more than 3% of the goods do not conform.

**Currency risk is limited to the concept of** margin since Cybergun bought and sold in US dollars. The policy Cybergun is the matching: make a balance between inputs and outputs in dollars.

**Cybergun control financial risks** analyzing from the beginning its commercial offering and maintaining a permanent and scalable monitoring during the negotiation, and finally definitively validating risk coverage for signature of the offer (insurance contract).

The strong increase in the sales business of the strong growth across the Atlantic has naturally resulted in a **strong need for working capital**. This had been anticipated by management and presented to the banking pool, which has granted medium-term loans (from 3 to 5 years). Side suppliers, deadlines were lengthened, and regulations are by drafts or letters of credit.

**The risk of counterfeiting** is controlled through the filing of more than one hundred brands internationally, whose brands SOFT AIR® and AIR SOFT Gun® that are filed with the INPI and BIOMPI. Cybergun also filed 4 patents: CLEAR, BAX, GUN MOUSE and CYCLONE.





### 3 / SPECIAL PROCEDURES IN THE FIELD OF ACCOUNTING AND FINANCIAL INFORMATION OF SHAREHOLDERS

Cybergun implemented in 2003 **Month-end its general accounting**, including having subscribed a portion of its expenses exploitation. Cette information is analyzed monthly to monitor the evolution of turnover compared to projections, and changes in gross margins and operating income.

In accordance with the legislation applicable to listed companies, **Cybergun semiannually publishes its consolidated financial statements** which are prepared by the accounting department and reviewed by the accountant of the company, under the supervision of the CFO and the Board of Directors.

**of the basic controls of the accounting work place**, to check the operations of accounting jobs. They include the ability to ensure that all transactions were the subject of a record (completeness), that check is justified by an operation (reality), and there is no error in the accounting for amounts (accuracy):

The completeness checks are implemented by the following techniques:

- Respect of numerical sequences: recording oversight would be detected by breakage of the digital sequence.
- The approximation of the documents relating to the same operation. Reality checks are for example:
- Regular physical controls to validate survey accuracy of computer data (bi-annual inventories).
- External overlap (external confirmation by third parties).

Beyond the compliance of production and presentation of financial information Cybergun, many dashboards and indicators monitored regularly both internally and externally endorse the accuracy of the data from the general ledger and tables reporting.

#### Conclusion:

The existing internal control instruments, segregation of duties and functions and the delegation of powers and signatures allow CYBERGUN to work in a secure environment in compliance with the rules. This broad securing the entire data flow ensures its partners a completeness.

Paris, 24 May 2005

President Jerome Marsac



## Management Report of the Board at the Annual General Meeting of 20 July 2005

Ladies and Gentlemen,

You are gathered for their annual meeting in order to approve the financial statements for the twelve months ended March 31, 2005.

All corporate documents have been communicated or made available to the conditions and limits provided by law. KPMG and Fidelio company, auditors, you will also read their reports.

### 1- Review of the status of the company: Description of the main provisions for the adoption of IFRS for consolidated accounts

Following the recommendations of the AMF, the CYBERGUN group performed during the year a transition diagnostic work to IFRS. Ce standards process is still ongoing at this time. The group's management is committed to respecting the recommendation of the AMF and to provide comparative IFRS information for 2004 at the latest during the half-year 2005 results.

#### 1-1: Consolidated financial statements:

Remember that all of Cybergun SA subsidiaries are consolidated in the Group accounts using the methods described in the consolidated financial statements. The consolidated group is as follows:

- CYBERGUN SA
- Microtrade 100% owned by Cybergun SA
- CYBERGUN USA LLC owned 100% by Cybergun SA
- CYBERGUN INTERNATIONAL owned 100% by Microtrade
- SOFTAIR USA 100% owned by CYBERGUN INTERNATIONAL
- ASG 100% owned by Microtrade

The consolidated financial statements of our Group show a turnover excluding tax of € 25 million, up 26% on the previous year. The share of activity realized in exports is 86%. The operating profit was 2.11 million euros against

EUR 2.40 million in 2003. Net income was 0.932 million against 1.06 million in 2003.

#### Comments on the Group's overall activity during the year

Fiscal 2004 was marked by the strong US market development with an increase in turnover of 58%. This increase in revenue is due actions with "chain stores" and the efforts of the teams to publicize Cybergun products.

All American territory is covered and Cybergun now has 2,600 points of sale. The other event concerning the redemption SOFTAIR USA, now a 100% subsidiary of Cybergun SA. To meet its working capital needs, CYBERGUN raised the bank debt of € 2,750 million and achieved its financial partners the establishment of TCWL (mobilization of receivables arising on foreign) and of currency advances amounting to 2,750 million euros. At the same time, CYBERGUN negotiating payment terms with suppliers (on average 150 days) and obtained a line of letters of credit up to

8,900 millions USD.

Its success is due to rigorous management of the business, rationalization of structures, and the implementation of a business strategy adaptée. Malheureusement the falling dollar performed strongly influenced turnover, margin and The result of the exercise.

In Europe, new markets opened (Romania, Hungary, Slovenia, Russia).

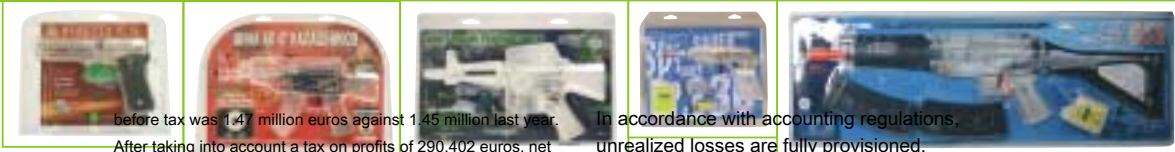
Your company has provided a major effort in the context of research and development, and in particular 4 filed international patents: CLEAR, BAX, and CYCLONE GUN MOUSE. Indeed to consolidate its position as world market leader, CYBERGUN continually improve its products and develop technical innovations to improve them. We have also completely redesigned a number of products to be ahead of all other models. The basis of the research tax credit item amounts to the sum of 428,397 euros.

A merger agreement must be signed between the US and subsidiaries CYBERGUN SOFTAIR USA. The completion of the absorption operation will be done during the year 2005-2006 and will generate a tax benefit related to accumulated deficits of society **CYBERGUN USA, amounting to 397 K e March 31, 2005. The future economy is already recognized in the financial statements at 31 March 2005, in the form of a deferred tax receivable 139 K e.** This internal group restructuring will have no impact on future consolidated financial statements, these subsidiaries are exclusively held by the CYBERGUN group.

#### 1-2: Financial statements:

During the year ended 31 March 2005, the company Cybergun SA generated a turnover excluding tax of 21.4 million euros, up 9.24% on last year. The operating profit amounted to 1.63 million euros against

2.1 million for the current income year précédent. Le



before tax was 1.47 million euros against 1.45 million last year. After taking into account a tax on profits of 290,402 euros, net income amounted to 1.12 million against 0.89 million for the previous year.

In accordance with accounting regulations, unrealized losses are fully provisioned.

## 2 - Highlights of the year: Tax audit

Cybergun The company is still the subject of a tax audit (started in November 2003) for the years ended March 31, 2000 March 31, 2001 March 31, 2002 March 31, 2003 and March 31, 2004. To date, the Directors notified on 26 December 2004 an adjustment for the year ended 31 March 2001 amounting to 339 K euros. To date the government has not responded to the challenge arguments raised by CYBERGUN dated February 2, 2005. The Board of Directors of the company decided not to make provisions that contingent liability, the arguments the tax authorities are particularly questionable.

### Movements made by the Company on its own shares

The item "treasury shares" rose from 97 K e to 1..April 2004 17K e March 31, 2005.

### Sale of the company CHL

The company Cybergun SA sold March 31, 2005, all of its shares in the company Sarl CHL for \$ 8K e. The annual accounts of the company CHL arrested 31mars2005 have negative equity - 48K e.

### License Acquisitions: BERETTA

The Cybergun SA continued its policy of acquiring exclusive licenses brands use by signing a licensed agreement for the BERETTA brand on the range "spring".

### Exchange loss

The Cybergun SA is highly exposed to the dollar since 88% of its turnover is achieved in that currency. In return, 96% of purchases of goods and part of its overhead costs are also denominated in devise.Par Therefore, Cybergun net exposure over the year is about \$ 4 million.

The balance of gains and exchange losses exudes a gain of 66 K e according to the following distribution:

Exchange gains	773
Exchange losses	- 725
exchange losses Reversal of provision	325
exchange losses provision Staffing	- 307
<b>TOTAL</b>	<b>66</b>

## Recall on prior year liabilities

### URSSAF control:

Cybergun The company has been a URSSAF recovery under ZFU exemptions for \$ 150K at euros.Face little consistency URSSAF's file and depending on the positions taken by the lawyers of the company, there was no provision passed in previous years. On 8 April 2003, the case was reviewed by the Appeals Board of the URSSAF and conclusions now its position is based on any new evidence but are only the resumption of the recovery notification. The file that was passed in the year in Social Security Affairs Tribunal, the latter has still not delivered to date. Consequently, the position adopted by the Cybergun company at the close of March 31, 2004 is maintained and no provision is recognized.

## 3 - Comments on the year 2004-2005:

Fiscal 2004 is still within the growth, mainly driven by the USA, albeit at a lower rate than in 2003 (26% instead of 66%). This success has justified the acquisition in April 2004 of the exclusive distributor SOFTAIR USA now a 100% subsidiary of CYBERGUN group.

Export now accounts for 86% of sales.

## 4 - Significant events after March 31, 2005:

CYBERGUN decided to sell its French retail network totaling 344 K e, is 258 K e intangible elements 85 and K e corporels.Les elements of goodwill disposals include 4 shops.

## 5 - Changes in the financial statement presentation and valuation methods:

The legal fees generated by the fight against counterfeiting were recorded in exceptional items (201 K e) on the previous year.

They are now recorded as operating expenses.

## 6 - Activity of the company in research and development:

The expenditure on research and development amounted to 428,397 euros in 2004 and resulted in overspending of 224 588 euros which generated a tax credit of 122,485 euros.



## 7 - Social and environmental

### consequences of the company's

#### activity: 7-1 The social

##### consequences

##### - Risk to 35 hours

#### The entire staff went to 35 hours on 1<sup>st</sup> October

2002. The company depends on the collective agreement toys, games which includes two amendments concerning the reduction of working time.

All options exist: 35 hours without recovery, 37 hours or 39 hours with RTT and annual fee of 217 days for non-executives with 12 days of recovery.

##### - Human resources

Cybergun SA, like other companies is dependent on its professional teams. Cybergun has low turnover and has no major difficulties in attracting new talent.

The group management combines the majority of its officers and employees to the company's results by the establishment of a regime of stock options.

The founders have always wanted to make CYBERGUN a company where everyone feels at ease through a pleasant and safe environment, regardless of the demands of competitiveness which the company is facing continuously.

That is why dialogue and communication are systematically privileged.

A number of tools and practices were gradually established to promote internal communication, improve the working environment and career management. Intranet and Internet accessible to all possible to have a constant dialogue within and outside the company. The implementation of the majority of workstations of a video communication system via ADSL allows to converse with all countries of the world.

In addition to a permanent dialogue with representative bodies, an advantageous social protection has been introduced through a mutual. Each employee can freely meet with executives of the Group. Employee ownership was established in 1999 through stock option plans that have enabled many employees to become shareholders in their company.

#### 7-2 The environmental consequences

##### - Sustainable development and corporate governance

The activity of CYBERGUN group has no measurable impact on the environment. Toutefois, the issue of sustainable development, as it arises today is not just an ecological approach only. It is becoming one of the key elements of the functioning

ment of a modern company for growth that must mean progress not only in the economic field, but in all other areas.

Aware that there is no viable business forward which is based on a balance between economic, social and consideration of its environment, CYBERGUN applies for years to stay in listening to its audiences, and is part of a logic accountability vis its stakeholders, that act of shareholders, customers, suppliers or employees of the company. Two concepts are used: respect for all stakeholders and transparency of information.

##### - industrial risk and risks related to the environment

Due to the nature of its business, the company is not exposed to this type of risk

## 8 - Financial strategy of the business face

### to market risks: Currency risk 8-1

CYBERGUN bought and sold in US dollars. The risk of loss of competitiveness of the Group related to currency fluctuations is limited to the concept of margin on these transactions. The sensitivity of operating income to changes in currencies is limited only to the US dollar financial statements conversion movements in euro. The general policy of currency hedging related company involved to this day, to make a balance between inputs and outputs in dollars.

### 8-2 Converting Risks

The consolidated financial statements are presented in euro. Les assets, liabilities, revenues and expenses in currencies other than the euro must be converted into euros at the exchange rate applicable on the date of the end of the year, to be included in the financial statements. In this case, the value in euros of assets, liabilities originally denominated in that other currency declines and vice versa in case of depreciation of the euro.

## 9 - Reminder of the free allocation of BSA

### operation:

On 6 May 2004, 2,330,746 of share warrants (BSA) were allocated free of charge at a rate of one warrant offered for Cybergun share held at the date of Wednesday, May 5, 2004.

The subscription terms are: 10 warrants give the right to subscribe to one new share Cybergun priced at 17 e between 6 May 2004 and May 6, 2006. The exercise of all such warrants would result in the creation of 223 074 shares and a capital increase of about

3,8millions euros.



## 10 - Developments and Prospects:

The excellent penetration Cybergun USA can imagine the potential of sales across the Atlantic. In 2004, Cybergun has signed new distribution channels to complement its coverage of the US, its products are now available on the shelves of 2600 stores. In Eastern Europe IS, Cybergun has confirmed its presence in several countries, and continues his conquest.

## 11 - Profit allocation proposal:

It is proposed to allocate the net profit for the year, amounting to 1,126,405 euros, plus the "retained earnings" of 18,888 euros and a levy on the account "other reserves" of 150 000 euros, amounting to 1,295,293 euros, as follows:

- 2011 euros to the "legal reserve account"
- 1,283,543 euros in dividend of 0.56 euros net / share,
- 9739 euros to the account "retained earnings". The dividend will be payable as from 3 October 2005 and will be paid either in cash or in new shares. It is specified that the dividends distributed for the three previous years were as follows:

2001/2002	2,000,000	0.28 e	0.14 e 560.000 e
2002/2003	2180000	0.32 e	0.16 e 697600 e
2003/2004	2230746	0.56 e	0.28 e 1249217 e

## 12 - Executive compensation:

During the twelve months ended 31 March 2005, the leaders have received the following remuneration:

- **Jérôme Marsac, Chairman** ..... **62,130 e**

- Mr Thierry NACCACHE,

**Deputy CEO until January 12** ..... **53481 e**

- Mr. Eric Gruau,

**CEO since January 12** ..... **20423 e**

## 13 - Positions held by directors in other companies:

Jérôme Marsac, Chairman, holds the following mandates:

- President of the SA CYBERGUN, 11 rue du Petit Pont, 75005 Paris
- Manager of Sarl Microtrade, 3 Rue des Foyers, I-1537 Luxembourg
- Manager of Sarl JUILLARD, 9-11 rue Henri Dunant, 91070 Bondoufle
- Administrator of the Local Savings Company of Mayenne, 8 rue de Brea, 44000 Nantes

Jean-Marc Azoulay, director, holds the following mandate:

- Director of SA TRAVELIA, 2 rue Alfred de Vigny 75008 PARIS

Thierry NACCACHE, director, holds the following mandate:

- Manager of the company ALTIN 94 CHARENTON
- Manager of SARL Comptoir Hobby Leisure, Paris 75. Eric Gruau, CEO, holds the following mandates:
- Director of SA FIB, ZI Route de Rennes - 53940 STBERTHEVIN

- Director of SA GVS ZIS Bd Pierre Lefaucheux 72000 LE MANS

- Director of SA PICOT, 18 rue de Prony, ZI 2 - 37300 JOUE LES TOURS

- Administrator of the Local Savings Society of Laval

Jean-Pierre LE COADOU has no other mandate and has no other function. Mr. Jacques Marsac has no other mandate and has no other function.

## 14 - non-deductible expenses and charges of the taxable income (CGI art 39-4.):

The Board notes that the accounts for the year ended March 31, 2005 do not take into account non-deductible expenses or expenses from taxable income.

## 15 - Financial situation of the company:

The liabilities of the company amounted to 18,206,064 euros at 31 March 2005. The loans of the company amounted to 3,601,488 euros, overdrafts and bank overdrafts at 2,240,200 euros. The partners' current accounts amounted to 318,447 euros. Suppliers and other payables amounted to 4,407,775 euros.

## 16 - Participation of employees in the capital:

We below indicate the status of the employee participation in the share capital on the last day of the year, ie 31 March 2005.

The proportion of share capital represented by shares held by employees of the company and by the staff of the companies feel related to it in article L 225-180 of the Commercial Code and which are the subject of a management collective rises to 31 March 2005: none.

## 17 - Terms of office:

The Board noted the resignation of a director who will not be replaced and the expiry of a term of a statutory auditor. The renewal of the Fidelio company will be decided by the general meeting Ordinary, on the proposal of the Board.





### 18 - Company shareholder information:

The MARSAC family holds 53.7% of share capital. The public holds 38.8% of share capital.

Leaders and employees own 7.5% of the share capital. During the year the participation of Mr. NACCACHE fell below the 5% mark.

### 19 - Regulated agreements:

The list of agreements between the members of the Board of Directors, directly or indirectly, as well as those that occurred with a shareholder holding 10% of the capital and within the scope of Article L. 225-38 of the Commercial Code will be reported in the special report of the auditor.

### 20 - Draft authorization to allow the company to operate on the stock exchange on own shares:

The Board decided to propose to the next General Meeting to authorize the Board of Directors, which may delegate under the legal conditions in accordance with Articles L. 225-209 and following of the Commercial Code, to conduct stock market on the shares of the company. The acquisition, sale or transfer of these shares may be made in one or more occasions by any means and at any time, if necessary during a public offering. The maximum purchase price per share is set to 1000% of the company's IPO price on the Second Marché of the Paris Stock Exchange and the minimum price of title by selling 10% of the company's IPO price on the Second Marché of the Paris Bourse. In case of capital increase by incorporation of reserves and allocation of

The maximum number of shares that may be repurchased by the Company under this resolution may not exceed the limit of 10% of share capital.

The amount of funds that the Company may use to buy back its own shares may not exceed 10 million euros. Le financing the buyback program may be effected by using available cash or short or medium term debt.

### Acquisitions of shares may be made to:

- regulate the market price of the share of the company,
- grant purchase shares to employees and corporate officers options of the company and / or its affiliates, or their offer to acquire shares in accordance with Articles 443-1 and following of the Labor Code and the second paragraph of Article L. 225-196 of the Commercial Code,
- assign the securities as part of the employee participation in profit-sharing,

- the shares as payment or exchange, notably through acquisitions,

- in the event of merger, split or partial contribution, allow to adjust the parities.

The shares acquired may be retained, sold and generally transferred by any means. This authorization is granted for a maximum period of 18 months, expiring on the date of the General Meeting called to approve the financial statements for the year ended March 31, 2006.

This authorization cancels any similar measures that have already been decided by the Annual General meeting and who are not yet matured.

### 21 - Project Option offered to shareholders between payment of the dividend in cash or in shares to the company:

The board decided to propose to the next General Meeting that the latter, delegates to the Board of Directors the power to offer each shareholder the option between payment of the total dividend paid in cash or shares to create the company: having found that the share capital will be fully paid, the extraordinary general meeting, will offer each shareholder regarding dividend assessed under this meeting, an option between payment the dividend in cash or shares to create, **with ex-1 April 2005. This option will cover the entire dividend distributed, or 0.56 e per share.**

The share issue price to create the dividend payment will be 90% of the average opening price on the twenty trading days preceding the date of this General Meeting less the net amount of the dividend **detachment unitaire. Le dividend will 1 September 2005.**

Shareholders who wish to opt for the payment of a dividend in **shares will have a period between 1 September 2005 and 16 September 2005** to make a request to their financial intermediary. Any shareholder who has not exercised his option within this period will receive the dividends due to him in espèces. Le dividend will be paid in cash, within nine months of the closing date. The Board of Directors notes the number of shares issued pursuant to this and make the necessary changes on changing the share capital. If the amount of the dividend to which each shareholder is entitled does not correspond to a whole number of shares, it will show in TheRecord subscription during his choice if he wants to receive the immediately higher number of shares by paying the difference in cash. This payment must accompany the decision of the shareholder. Otherwise, it will be considered subscribing to the immediately lower number of shares plus the balance in cash. The shares created will be fully assimilated to existing shares subject to their effective date.

Board of directors

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## ► Council Management Report of Directors to the Extraordinary General Meeting of 20 July 2005

Ladies and Gentlemen,

You are at an extraordinary general meeting in order to rule on the various renewals of authorizations granted to the president by the assembly.

All corporate documents have been communicated or made available to the conditions and limits provided by law.

KPMG and Fidelio company, auditors, you will also read their reports.

### headquarters Transfer Project

Following the sale of the business located at 11 rue du Petit Pont in PARIS (5<sup>th</sup>), the President proposes to the board transfer the registered office of CYBERGUN of:

**11 rue du Petit Pont in PARIS (5<sup>th</sup>)**

at :

**ZI Les Bordes, 9/11 rue Henri Dunant 91070  
BONDOUTLE**

### Proposed harmonization of laws with the provisions of the Ordinance of 24 June 2004 reforming the system of securities issued by commercial companies

The Board of Directors proposes to harmonize the statutes of the company with the order of 24 June 2004 and to amend consequences Article 7 of the statutes. The Board proposes to the Extraordinary General Meeting to amend Article 7 of Association as follows: Article 7 - Capital increase and reduction of share capital 7-1. Augmentation

The capital may be increased following a decision or authorization of the Extraordinary General Meeting by all means and procedures provided by the provisions of the Commercial Code. The Extraordinary General Meeting may delegate this authority to the Board under the conditions and limits provided by loi. Lorsqu'elle decides capital increase, it may delegate to the Board the power to set the terms of the issue of the securities. Representing the capital increase, it may be creating preferred shares enjoying advantages over other shares, subject to the provisions of the Commercial Code regulating the right to vote. If incorporation of reserves, profits or share premiums,

ordinary general meetings. The capital increases are made notwithstanding the existence of "broken".

In the silence of the parties' agreement, the respective rights of the usufructuary and the bare owner of shares is exercised according to regulations.

7.2. Issuance of other securities: The board has jurisdiction to decide or authorize the issuance of bonds. The Ordinary General Meeting may also exercise this power. The issue of securities giving access to capital is the competence of the extraordinary general meeting. The 2) Article 7 is unchanged and becomes 7-3. "Capital reduction".

### Delegation project to proceed with the capital increase either by issuing ordinary shares or securities giving access to the share capital of the Company with preferential subscription rights, or by incorporation of reserves, premiums or earnings

The board decided to propose to the next General Meeting authorize the Board of Directors, by delegation, for a period of 26 months from the date of this Meeting, all powers to proceed with the issue, with preferential subscription rights for shareholders of company shares or securities - including warrants issued autonomously with or without consideration - giving immediate and / or future rights to company shares, which may be subscribed for in cash or by offsetting receivables.

The maximum amount of increase of immediate or future capital resulting from all the issues carried out under this authorization shall not exceed a nominal amount of 50 million euros. It is stated: that, within this ceiling:

- the issuance of bonds with warrants for shares may have the effect of increasing the capital by a total nominal value exceeding 20 million;
- the total nominal amount of capital increase required for the exercise of warrants issued independently may not exceed 20 million euros;
- all the above ceilings are fixed excluding



affect the amount of the capital increase of any adjustments that may be made in accordance with the law, following the issuance of securities - including warrants issued autonomously

- giving access to shares in the company; that are

specifically excluded:

- the issuance of preference shares with voting rights,
- the issuance of preferred shares without voting rights,
- the issue of investment certificates, whether or not a privilege,
- and the issuance of securities, including detachable warrants, giving immediate and / or forward actions for priority voting, or preferred shares without voting rights, or to investment certificates.

The securities issued - giving access to shares in the company - may consist of bonds or be attached to the issue of such securities or allow their issuance as intermediate securities.

They may take the form of subordinated securities or not fixed term or not, and be issued either in euros or in foreign currencies or in any other monetary units established by reference to several currencies.

The maximum nominal amount of the shares so issued debt may not exceed 20 million euros on the date of the decision to issue it being specified that this amount applies to all debt securities whose issue is delegated to the Council of Directors by this General assembly, but it is independent of the amount of debt securities not giving access to the capital issuance could be authorized by the general meeting of shareholders. The term of the loans can not exceed 30 years, the duration is limited to a maximum of 15 years for debt securities convertible, redeemable or convertible into shares generally. They may bear a fixed interest rate and / or variable or capitalization, and be subject to a refund, with or without premium, or amortization, securities may also be repurchased on the market, or an offer to purchase or exchange by the company. The Board of Directors may grant shareholders a right to subscribe to new shares or securities, to be exercised in proportion to their rights and within the limits of their application. If the irrevocable subscriptions and, if applicable, for excess shares have not absorbed the entire issue, the Board of Directors may in the order it, or limit, in accordance with the law, the amount of the transaction to the amount of subscriptions received, provided that it reaches at least three quarters of the issue,

The decision of the extraordinary general meeting:

- outweighs the benefit of holders of securities, waiver by shareholders of their preferential right to subscribe to shares to which these securities give right; and

- includes an express waiver by shareholders of their preferential subscription rights to the shares issued, if applicable:

- under the conversion of securities in the form of convertible bonds,
- or upon presentation of vouchers independently issued subscription.

The Board of Directors shall determine the characteristics, amount and terms of any issue. In particular, it will determine the class of securities issued and shall set, taking account of indications contained in its report, their subscription price, with or without premium, the date may be retroactive and if necessary the duration, and the exercise price the good and the manner in which securities may access to shares, provided that the price of the ordinary shares to be created by subscription or conversion, exchange or exercise of warrants or otherwise especially considering the issue price primary securities or warrants, will be, if issued prior to the first day of trading on a regulated market, at least equal to 100% of the share equity per share and at least the nominal value of shares, and, if issued after the first day of trading on a regulated market, at least 80% the weighted average over the last three trading days preceding the day of fixing this price, less a maximum discount of 5% to account for the difference in the effective date. The Board of Directors shall, in accordance with the law, all powers, with the option of sub-delegation under the conditions established by law as well as in the report of the board of directors to implement under the terms of this report, this resolution and, on one or more occasions, in the amounts and at the times it, in France and / or, where applicable, abroad and / or on the international market, the aforementioned issues leading to the capital increase - and, if necessary, to suspend them - to record their completion and to amend the bylaws. The board decided to propose to the next General Meeting to authorize the Board of Directors with authority to delegate, for a period of 26 months from this General Meeting, all powers to proceed with the capital increase by incorporation of premiums, reserves, profits or other whose capitalization is legally and statutorily possible, with allocation of free shares or raising of the the aforementioned issues leading to the capital increase - and, if necessary, to suspend them - to record their completion and the corresponding amendments to the bylaws. The board decided to propose to the next General Meeting to authorize the Board of Directors with authority to delegate, for a period of 26 months from this General Meeting, all powers to proceed with the capital increase by incorporation of premiums, reserves, profits or other whose capitalization is legally and statutorily possible, with allocation of free shares or raising of the the aforementioned issues leading to the capital increase - and, if necessary, to suspend them - to record their completion and to amend the bylaws. The board decided to propose to the next General Meeting to authorize



existantes. Le nominal value of the maximum amount of the capital increase shares will thus be carried out, will not exceed the aggregate amount that can be incorporated, provided that the amount of these capital increases will be added to the amount of the ceiling set in the second paragraph above.

It will be specified that the Board of Directors, by delegation:

- shall determine, under legal conditions, adjustment terms of the forward conditions for access to shares, securities (including warrants) so issued, and shall be entitled to suspend the exercise of rights attached to these securities and warrants for a maximum period of three months;
- will take all measures and carry out all formalities required for the admission to trading on a regulated market, rights, shares, securities and warrants in case of admission of the Company's shares on a regulated market;
- may set the bonus terms and exercise autonomous warrants, and determine how to purchase the stock exchange or offer to purchase or exchange securities and / or warrants or allocation of shares, as repayment of securities or warrants;
- may charge the costs of issuing the shares and securities in the amount of premiums related to capital increases and deduct from these premiums the amounts necessary to increase the legal reserve to one tenth of the amount of capital resulting from such increases;
- to limit the capital increase to 75% of the amount, if insufficient subscriptions, or allocate unsubscribed shares among persons of his choice. This authorization cancels any similar provisions which have already been decided by the Annual General Meeting and who are not yet matured.

### **proposed delegation to the Board to issue ordinary shares or securities giving access to the capital of the company, without preferential subscription rights**

The board decided to propose to the next General Meeting to authorize the Board of Directors, by delegation, for a period of 26 months from the date of this Meeting, all powers to proceed with the issue by public offering of shares or securities - including warrants issued separately for consideration - giving immediate and / or long term, to shares in the company, which under -

scription may be made either in cash or by offsetting receivables, and decides to cancel the preferential subscription right of shareholders to these shares and securities. The nominal amount of the increase ceiling immediate or future capital resulting from all the issues carried out under the authorization given to the Board of Directors by this resolution would be common to the ceiling of EUR 50 million set by the previous resolution. It is stated: that, within this ceiling:

- the issuance of bonds with warrants for shares may have the effect of increasing the capital by a total nominal value exceeding 20 million;
- the total nominal amount of capital increase required for the exercise of warrants issued independently may not exceed 20 million euros; all the above ceilings are fixed excluding impact on the amount of the capital increase of any adjustments that may be made in accordance with the law, following the issuance of securities - including warrants issued independently - giving access to company shares; that are specifically excluded:
- the issuance of preference shares with voting rights,
- the issuance of preferred shares without voting rights,
- the issuance of investment certificates with or without privilege,
- and the issuance of securities, including detachable warrants, giving immediate or future access to shares in priority voting, or preferred shares without voting rights, or to certificates "investment.

The securities issued - giving access to shares in the company - may consist of bonds or be attached to the issue of such securities or allow their issuance as intermediate securities. They may take the form of subordinated securities or not fixed term or not, and be issued either in euros or in foreign currencies or in any other monetary units established by reference to several currencies. The maximum nominal amount of these debt securities may not exceed 20 million euros on the date of the decision of issuance, provided that this amount applies to all debt securities whose issue is delegated to board by the general meeting, but that it is independent of the amount of debt securities whose issue may be authorized by the general meeting of shareholders. The term of the loans can not exceed 30 years, the duration is limited to a maximum of 15 years for debt securities convertible, redeemable or convertible into shares generally. They may bear a fixed interest and / or variable, or capitalization, and be replaced with a



bursement, with or without premium, or amortized, the securities may additionally be repurchased on the market, or an offer to purchase or exchange by the company. For issues on the French market, the Board of Directors may grant the shareholders a right of priority irreducible and / or reducible to subscribe for the shares or securities, which will determine the terms and conditions of exercise without giving rise to the creation of negotiable rights. The unsubscribed shares under this law will be subject to a public offering. The decision of the extraordinary general meeting:

- outweighs the benefit of holders of securities, waiver by shareholders of their preferential right to subscribe to shares to which these securities may give entitlement;
- includes an express waiver by shareholders of their preferential subscription rights to the shares issued, if applicable:
- under the conversion of securities in the form of convertible bonds;
- or upon presentation of vouchers independently issued subscription.

The Board of Directors shall determine the characteristics, amount and terms of any issue. In particular, it will determine the securities issued category and set, given the information contained in its report, their subscription price, with or without premium, the date may be retroactive and, if applicable, duration and price exercise of warrants and the manner in which securities will give access to shares, provided that:

- a) the share issue price will be at least equal if issued prior to the first day of trading in the share of equity per share and at least the nominal value of shares, and in case of issue after the first day of trading, the weighted average quoted share price recorded on the regulated market of the Paris Stock Exchange on the three trading days preceding the start of the show, after correction (maximum discount of 5% ), if any, of this average to take into account the difference in the effective date and at least the nominal value of shares;
- b) the issue price of other securities, including detachable warrants, will be such that the amount received immediately by the Company, plus, if applicable, that may be subsequently received by it or, for each share issued as a result of the issue of these other securities, at least equal to the share of equity per share if issued prior to the first day of trading and, in case of issue after the first trading day, the adjusted average defined in paragraph "a)" above;

c) in accordance with paragraph "b)" above, conversion, redemption or generally the transformation into action (s) of each convertible, redeemable or otherwise transformable, will, given the nominal value the obligation, in a number of shares such that the amount received by the company for each share, at least equal to the share of equity per share if issued prior to the first day of trading and , if issued after the first day of trading, the adjusted average defined in paragraph "a)" above.

The Board of Directors decided to propose at the next extraordinary general meeting that the Board of Directors has, in accordance with the law, have full powers, with authority to delegate as provided by law and by the report of the board Directors, to implement under the terms of this report and this resolution, on one or more occasions, in the proportion and at the times it sees fit, in France and / or, if appropriate, to abroad and / or on the international market, the aforementioned issues leading to the capital increase and, where appropriate, to suspend record completion and proceed to amend the statutes. It is specified that the Board may delegate such powers:

- shall determine, under legal conditions, adjustment terms of the forward conditions for access to shares of securities (including warrants) so issued, etaura the option to suspend the exercise of rights attached to these securities and warrants for a maximum period of three months;
- will take all measures and complete all formalities for the admission to trading on a regulated market, rights, shares, securities and warrants;
- may determine how to purchase the stock exchange or offer to purchase or exchange securities and / or warrants or allocation of shares, as repayment of good or securities;
- may charge the costs of issuing the securities in the amount of premiums related to capital increases and deduct from these premiums the amounts necessary to increase the legal reserve to one tenth of the amount of capital resulting from such increases;
- to limit the capital increase to 75% of the amount, if subscription failure, or allocate unsubscribed shares among persons of his choice. This authorization cancels any similar provisions which have already been decided by the Annual General Meeting and who are not yet matured.

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### **Delegation project to increase the number of shares to be issued in case of capital increase with or without preferential subscription rights**

Pursuant to Article L. 225-135-1 of the Commercial Code, the Board of Directors proposes to the General Meeting to authorize the Board of Directors, its jurisdiction, for the purpose of increasing the number of shares to be issued for each issue, with or without preferential subscription rights, decided at the meeting within thirty days of the closing of the subscription within the limit of 15% of the initial issue and at the same price as that used for the initial issue.

In case of failure of the subscriptions, the Board of Directors may limit the increase to 75% of its amount.

### **draft authorization to issue securities on a public purchase or exchange offer for the Company's shares**

The Board of Directors decided to propose at the next extraordinary general meeting pursuant to Article L. 225-129 § IV of the Commercial Code, the Board of Directors may use, during a takeover bid or exchange for the shares of the company, delegations to increase, by all legal means, the share capital. This emission authorization available to the Board of Directors may be used if it is in the normal course of the company's activity and its implementation is not likely to derail the offer.

This authorization is valid from today and until the next meeting to approve the accounts for the year ended 31 March 2006.

This authorization cancels any similar provisions which have already been decided by the Annual General Meeting and who are not yet matured.

### **draft authorization to proceed with the capital increase by issuing shares reserved for members of a company savings plan pursuant to the provisions of the Commercial Code and Articles L.443-1 and following of the labor code**

The board decided to propose to the next General Assembly that it:

- authorizes the Board of Directors under the provisions of the Commercial Code, and in particular its Article

225-138 and on the other hand, Articles L.443-1 and following of the Labor Code, to proceed with the capital increase, on one or more occasions, at its sole discretion, by issuing shares reserved for members of a company savings plan. This decision entails express waiver by shareholders to their preferential subscription rights to beneficiaries;

- decides that the beneficiaries of the capital increases, currently authorized, will be the members of a company savings plan CYBERGUN or companies related to it within the meaning of Article 225-180 of the Commercial Code and fulfill, further, the conditions may be set by the Board of Directors;
- fixed at twenty-six months from the date of this General Meeting, the period of validity of this delegation;
- to set at five million euros the maximum nominal amount of the capital increase that could thus be achieved, regardless of the class of shares issued;
- decides that the share subscription price to be paid by the beneficiaries referred to above, pursuant to this authorization can not be more than 20% to the average opening share price of the company during the 20 trading days preceding the date of the Board's decision on the capital increase and share issue corresponding to it, nor higher than this average; this average will, if necessary, corrected in case of difference between the effective dates;
- authorizes the Board of Directors to issue, by virtue of this authorization, any securities giving access to the capital of the company may be authorized by law or regulations;
- decides that the Board of Directors shall have all powers by delegation, to implement this delegation, within the limits and under the conditions specified above to the effect, including:
  - set the conditions to be met by the beneficiaries of the new shares resulting from the capital increases, the subject of this resolution
  - stop conditions of the issue
  - decide on the amount to be issued, the issue price, the dates and conditions of each issue
  - fix the period granted to subscribers for their securities
- set the date, even retroactively, from which the new shares
- note or have noted the completion of the capital increase in the amount of shares actually subscribed, or decide to increase the amount of such capital increase for all subscription requests received may be served
- at its sole discretion, allocate the costs of capital increases to the premiums relating to these



and deduct from this amount the sums necessary to increase the legal reserve to one tenth of the new capital after each increase

- in general, take all measures to complete the capital increases, carry out the formalities to them and bring the bylaws changes to these capital increases. This authorization does not allow the board to issue preference shares.

This authorization cancels any similar provisions which have already been decided by the Annual General Meeting and who are not yet matured.

#### **draft authorization in order to grant options to subscribe for or purchase company shares**

The board decided to propose to the next General Assembly that it:

- authorizes the Board of Directors, under the provisions of Articles L. 225-177 to L. 225-185 of the Commercial Code, to grant on one or more occasions, to the beneficiaries indicated below, options right to the company's stock to be issued in a capital increase or to purchase shares of the company from repurchases made under the conditions provided by law, this power given to the Board of Directors for a period of thirty-eight months from this meeting;

- decides that the beneficiaries of these options will be:
  - firstly, employees or some of them or certain categories of staff
  - secondly, corporate officers defined by law, so that CYBERGUN companies or economic interest groups that are directly or indirectly linked to it under the terms of Article L. 225-180 of the Commercial Code ;

- decides that the total number of options which may be granted under this authorization will be such that the total number of options open and not yet exercised, will give the right to subscribe a number of new shares exceeding 10% of total of the share capital, subject to all other legal limits;

- decide, in case of grant of stock options, the share subscription price will be determined by the recipient on the day the options are granted by the Board and shall not be less than 80% of average opening price of the share during the 20 trading days preceding the date the stock options are granted;

- decide, in case of grant of stock options, the purchase price

actions by the beneficiaries will be set on the day the options are granted by the Board and shall not be less than 80% of the average opening share price during the 20 trading days preceding the day the purchase options are granted, or 80% of the average purchase price of shares held by the company under Articles L. 225-208 and / or 225-209 of the Commercial Code;

- decides that no option subscription or purchase may be granted less than 20 trading days after either a detached shares entitled to a dividend or a preferential right to subscribe to a capital increase;

- notes that, pursuant to Article L.225-178 of the Commercial Code, this authorization includes, for the beneficiaries of the subscription options, express waiver by shareholders of their preferential subscription rights to shares issued as and when the options are exercised;

- delegates all powers to the Board of Directors to set the other terms and conditions for the granting of options and their exercise, and particularly for:

- the conditions under which options will be granted and determine the list or categories of option beneficiaries; set, if necessary, the conditions of seniority required for the beneficiaries of these options: decide the conditions under which the price and number of shares may be adjusted, notably in the cases provided by law,

- or set the exercise period of the options granted and the term of the options,
- provide for the possibility of temporarily suspending the exercise of options for a maximum period of three months in the event of financial transactions involving the exercise of rights attached to shares of the class on which the options relate,

- perform or have performed all acts and formalities to make final (s) any capital increases that may be carried (s) under the authorization granted by this resolution, amend the bylaws accordingly and generally do whatever is necessary,

- at its sole discretion and if it deems appropriate, allocate the costs of capital increases to the premiums related to these increases and deduct from this amount the sums necessary to increase the legal reserve to one tenth of the new capital after each increase .

This authorization cancels any similar provisions which have already been decided by the Annual General Meeting and who are not yet matured.

Board of directors

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## Consolidated balance sheet: Assets (K€)

<b>GAP ACQUISITION</b>	<b>I</b>	557	26	630
Uncalled committed capital	<b>II</b>			
<b>INTANGIBLE ASSETS</b>				
Administration fees		39	39	41
Research and development expenses				
Concessions, patents, similar rights		1816	1938	1940
Commercial funds		138	38	38
Other intangible assets		79	6	63
Advances, payments intangible assets				
<b>PROPERTY</b>				
land				
Buildings				
Technical facilities, equipment, tools		735	683	683
Other property		439	167	290
Assets under construction				
Advance payments				
<b>INVESTMENTS</b>				
Equity investments		28	32	32
held for sale Net assets				
Investments in equity interests				
Receivables Other investments				
Loans				
Other financial assets		190	129	129
<b>TOTAL III</b>		<b>3465</b>	<b>3032</b>	<b>3215</b>
<b>INVENTORIES AND WORK IN PROGRESS</b>				
Raw materials, approvisionnement				
In-progress goods in-progress				
intermediate products and finished				
goods services		8403	2940	6534
Advances, advance payments / orders		71	350	350
<b>RECEIVABLES</b>				
Customer receivables and accounts piecing		4784	4339	2454
Deferred tax assets		767	14	371
other receivables		1100	471	685
subscribed and called capital unpaid				
<b>VARIOUS</b>				
Marketable securities			67	67
Treasury shares		17	91	91
availability		2427	2217	2445
<b>REGULARISATION ACCOUNT</b>				
Prepaid expenses		123	42	118
<b>TOTAL IV</b>		<b>17692</b>	<b>10532</b>	<b>13,116</b>
Deferred expenses over several years	<b>V</b>		14	14
Premiums repayment obligations	<b>VI</b>			
active conversion deviation	<b>VII</b>			
active rounded deviation	<b>VIII</b>			
<b>TOTAL (I to VIII)</b>		<b>21714</b>	<b>13,603</b>	<b>16975</b>



## Consolidated Balance Sheet: Liabilities (K e)

### EQUITY

Social or individual capital	752	732	732
Issue premiums, merger, contribution	2756	2126	2126
Revaluation Group Legal reserve Revaluation			
	73	71	71
Statutory or contractual reserves			
Regulated reserves Other reserves			
	1429	1749	1749
Group reserve	179	47	- 22
Translation differences group	3	5	- 14
Retained earnings	19	53	53
<b>PROFIT GROUPS</b>	932	1028	1116
Investment grants Regulated provisions Accelerated depreciation securities in treasury			
<b>TOTAL I</b>	<b>6143</b>	<b>5810</b>	<b>5810</b>

### MINORITY INTERESTS

Interests outside group Translation differences outside group profit before group			
<b>TOTAL II</b>			

### OTHER EQUITY

Products equities emissions Conditional advances			
<b>TOTAL III</b>			

### PROVISIONS FOR RISKS AND CHARGES

Provisions for acquisitions of securities			
Provisions for risks	52	167	167
Provisions for expenses	74	23	23
Provisions for deferred tax liability	0		
<b>TOTAL IV</b>	<b>125</b>	<b>190</b>	<b>190</b>

### DEBTS

Convertible bonds Other bonds			
Borrowings from credit institutions	5323	3943	6728
Bank overdrafts	2581	796	
lease borrowings borrowings and financial liabilities	1487	242	1393
Net Liabilities held for sale			
Advances received on contracts in progress payables and related accounts	4364	1011	976
Social and tax debts	988	989	989
Debts on fixed assets and related accounts Other liabilities	572	314	581
<b>REGULARISATION ACCOUNT</b>			
Deferred	130	308	308
<b>TOTAL V</b>	<b>15445</b>	<b>7603</b>	<b>10974</b>

Liabilities Translation differences	<b>VI</b>		
rounded passive Difference	<b>VII</b>		
<b>TOTAL (I-VII)</b>	<b>21714</b>	<b>13,603</b>	<b>16975</b>

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## Consolidated income statement 1<sup>st</sup> part (K €)

### NET SALES GROWTH

France Goods Sales	3468	2939	2939
Export goods sales	21246	16521	16166
Production sold goods France sold			
production of goods sold of Export			
Production Services France	79	48	48
Production sold Export Services	283	438	414
<b>TOTAL I</b>	<b>25076</b>	<b>19946</b>	<b>19567</b>

### EXPLOITATION PRODUCT

Production stored			
capitalized		43	67
Operating grants			
Reversals of provisions, depreciation, transfer	91	267	267
Others products	313	22	27
<b>TOTAL II</b>	<b>403</b>	<b>332</b>	<b>361</b>

### EXPLOITATION CHARGES

Purchases of goods (including customs duties)	15834	12385	12387
Change in inventories of goods	- 2281	341	- 2403
Purchases of raw materials and other supplies	12	51	51
Inventory change raw materials and supplies Other purchases and			
external charges	5961	2695	4578
Taxes other and payments	186	236	236
Salaries and treatments	1744	983	1180
social security costs	502	378	403
Depreciation and amortization Capital	456	353	380
Provisions assets Provisions for			
current assets	264	118	118
Provisions for risks and charges	51	55	55
Other expenses	634	535	542
<b>TOTAL III</b>	<b>23,364</b>	<b>18131</b>	<b>17526</b>
<b>OPERATING INCOME (I + II - III)</b>	<b>2115</b>	<b>2147</b>	<b>2402</b>

Income allocated or loss transferred loss

supported or profit transferred 0 0





## Consolidated income statement 2. part (K €)

### FINANCIAL PRODUCTS

#### Financial income from equity

#### Income from other marketable securities and real estate assets Other

interest income	122	212	68
Reversals of provisions, expense transfers	123	142	142
Foreign exchange gains	780	672	673
Net gains on sales of investment securities	11		
Translation adjustments			
<b>TOTAL IV</b>	<b>1035</b>	<b>1026</b>	<b>883</b>

### FINANCIAL EXPENSES

#### Financial depreciation and provisions

#### Interest expense

#### Foreign exchange losses

#### Net expenses on sales of investment securities

#### Translation adjustments

	17	117	117
	696	345	575
	1038	1125	1125
	7		
<b>TOTAL V</b>	<b>1758</b>	<b>1587</b>	<b>1816</b>

#### FINANCIAL RESULT (IV - V)

	- 722	- 561	- 933
<b>CURRENT RESULT BEFORE TAX</b>	<b>1393</b>	<b>1586</b>	<b>1469</b>

### EXCEPTIONAL PRODUCTS

#### Extraordinary income from management operations

#### Other extraordinary income from capital transactions

#### Reversals, load transfers

	86	121	121
	65	5	5
<b>TOTAL VI</b>	<b>151</b>	<b>126</b>	<b>126</b>

### EXTRAORDINARY CHARGES

#### Extraordinary expenses on management operations

#### Other extraordinary expenses from capital transactions

#### Exceptional depreciation and amortization

	196	286	309
	95	13	25
	42		
<b>TOTAL VII</b>	<b>333</b>	<b>299</b>	<b>334</b>

#### EXCEPTIONAL INCOME (VI - VII)

	- 182	- 173	- 208
<b>TOTAL VIII</b>	<b>205</b>	<b>372</b>	<b>132</b>

#### Taxes due on profits

#### Deferred income taxes

	601	384	401
	- 396	- 11	- 269

<b>TOTAL VIII</b>	<b>205</b>	<b>372</b>	<b>132</b>
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<b>TOTAL PRODUCT (I + II + IV + VI)</b>	<b>26665</b>	<b>21,430</b>	<b>20937</b>
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<b>TOTAL EXPENSES (III + V + VII + VIII)</b>	<b>25,660</b>	<b>20389</b>	<b>19808</b>
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Income from consolidated companies	1006	1041	1129
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### Income from equity affiliates

#### Amortization of goodwill

	73	13	73
--	----	----	----

#### consolidated set of results

	932	1028	1056
--	-----	------	------

#### group result

	932	1028	1056
--	-----	------	------

#### Profit excluding

	0		0
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#### Earnings per share (in euros)

	0.40681	0.46090	0.47336
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#### Diluted earnings per share (in euros)

	0.37073	0.46090	0.47336
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#### Earnings per share before amortization of goodwill

	0.45084	0.46668	0.50622
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## Annex

### 1. HIGHLIGHTS OF THE PERIOD

#### 1.1. Acquisition of Airsoft USA

On 28 June 2004 the Microtrade company, a 100% subsidiary of Cybergun SA, acquired the entire capital Cybergun International SA, a company incorporated in Luxembourg for an amount of 31 K e. The company previously had never had business at the date of acquisition. June 28, 2004, the Company Cybergun International SA (now 100% subsidiary of Microtrade) bought the US company Softair USA.

In accordance with AMF recommendations, annexes present detailed the impact of the integration of Airsoft USA in the consolidated accounts.

A balance sheet and a pro forma income statement at 31 March 2004 (or 1 April 2003 to 31 March 2004) has been made to allow the comparison of accounts at 31 March 2005 with those at 31 March 2004 using the same scope. The pro forma accounts at 31 March 2004 was made the following assumptions:

- Incorporation of Airsoft USA in the group as of 1 April 2003
- Theoretical Amortization of goodwill explained in "Note 1 Goodwill" retroactively as of 1 April 2003
- Conversion of the balance sheet Softair USA 31 March 2004 using the exchange e / USD 1.2224,
- Conversion of the income statement for Airsoft USA 31 March 2004 using the exchange e / USD means the period of 1.1309,
- Neutralization of sales for the period Cybergun SA Softair USA and intercompany margin generated,
- Homogenization of the valuation rules with French methods.

#### 1.2. Creation of a subsidiary in Slovenia

The company creates Microtrade May 25, 2004 "ASG", a company registered in Slovenia. This subsidiary 100% owned opened the same day a shop in the city of Ljubljana.

#### 1.3. Sale of the company CHL

The company Cybergun SA sold March 31, 2005, all of its shares in the CHL SARL for \$ 8K e. The annual accounts of the company CHL arrested March 31, 2005 have negative equity - 48K e.

#### 1.4. Issuance of stock warrants

On 6 May 2004, 2,330,746 of share warrants (BSA) were allocated free of charge at a rate of one warrant offered for Cybergun share held as of Wednesday, May 5, 2004.

The subscription terms are: 10 warrants give the right to subscribe to one new share Cybergun priced at 17 e between 6 May 2004 and May 6, 2006. The exercise of all such warrants would result in the creation of 223 074 shares and a capital increase of approximately 3.8 million e. The effect of this increase on diluted earnings per share for the period is presented in note you

#### 2.7.14. Result shares.

#### 1.5. License Acquisitions

The Cybergun SA continued its policy of acquiring exclusive licenses brands to use in the toy industry by signing a sub-license agreement covering the products Airsoft Beretta Spring payable by a fixed royalty on future production.

#### 1.6. Tax audit

The Cybergun SA is currently the subject of a tax audit in respect of the years ended 31 March 2002 31 March 2003 and 31 March 2004. To date, the administration has notified the result of its control over the financial years 2000 and 2001 and has restated the company Cybergun SA amounting to 339 K e. The Board of Directors of the Company dated 11 January 2005 decided not provisioned this contingent liability, the arguments advanced by the French tax authorities are particularly questionable. In its notification the administration says the Cybergun company would have transferred part of its profits to the benefit of its Luxembourg subsidiary Microtrade. Now on European time this claim is unfounded for two reasons.

- Luxembourg is not a country privileged taxation (tax haven) and the rejection of accounts operated by the auditor is unfounded.

- The tax rate in Luxembourg IS is equivalent to French corporation tax rate.

### 2. ACCOUNTING PRINCIPLES

The consolidated accounts of Cybergun group have been established in accordance with French accounting principles in accordance with the decree of 22 June 1999 homolo-



guant regulation CRC 99-02. The principle of consistent accounting methods is respected.

The data below are presented in thousands of euros.

## 2.1. Consolidation methods

The consolidation method used is the global integration for companies in which the group directly or indirectly controls more than 50% of capital.

Are integrated into the parent company's accounts the elements of the consolidated accounts of companies, after any restatements to ensure consistency with the accounting policies of the group.

Transactions between consolidated companies and internal profits and losses are eliminated. Only are left out of the consolidation few companies whose importance is not significant within the meaning of Article L233-19 of the Commercial Code and for which the information required for the consolidated accounts can not be obtained without undue cost or within a timeframe compatible with the production of financial statements. As such, are not included in the scope of the group companies with accumulated turnover is less than 1% of consolidated net sales.

## 2.2. Consolidation

The companies consolidated by the group are:

### Parent company :

CYBERGUN SA	11, Petit-Pont Street	33764379500046	Parent company
	75005 PARIS		
	la France		

### Subsidiaries:

Microtrade SARL	3 Street homes L1537 LUXEMBOURG	N / A	100%	IG
CYBERGUN USA, LLC	PO BOX 35033, Scottsdale, AZ 85255 USA	N / A	100%	IG
SOFTAIR USA Inc.	1431 Oakland Blvd, Suite 210 Walnut Creek, CA 94596 USA	N / A	100%	IG
CYBERGUN INTERNATIONAL SA	3 Street homes L1537 LUXEMBOURG	N / A	100%	IG
ASG	Dolenjska Cesta 133 LJUBLJANA	N / A	100%	IG

All companies in the scope of consolidation close their annual accounting period March 31 (and semi arrested September 30).



### 2.3. Changes in the scope

#### Cybergun International SA

On 28 June 2004, Microtrade acquired 100% of the capital Cybergun International SA for an amount of 31 K e.

The company had not previously had business at the date of acquisition.

#### Softair USA Inc.

100% of the shares of this company have been acquired by Cybergun International. La effective takeover of the acquisition was set 1 April 2004. Softair USA is consolidated to March 31, 2005. Pursuant to 99-02, this annex mentions the impact of significant changes throughout the balance sheet, income statement and statement of cash flows consolidated affected by this acquisition. Pro forma financial statements at 31 March 2004 has been made, as if Softair USA was bought 1 April 2003.

#### ASG

This subsidiary localized Microtrade company in Slovenia was created earlier this year and has a shop in the capital of this country: Ljubljana and a point of sale on the internet.

### 2.4. Excluding the perimeter

#### FREIBURGHaus Company

CYBERGUN having no significant influence on the FREIBURGHaus company, it was excluded from the scope of consolidation. This company held 22% addition is not significant in terms of Cybergun group.

### 2.5. foreign companies Conversion

#### Methods

The consolidated foreign companies are treated as non-self, the accounts of these companies are held in local currency (EUR and USD). The conversion price e / USD following were used

• Courses March 31, 2004:	1.2224
• Of March 31, 2005:	1.2964
• The average of 31 March 2004 to 31 March 2005:	1.2587

### 2.6. Comparability of accounts

The published statements (balance sheet, income statement, changes in equity tables and cash flow) pre-

feel the values at 31 March 2005 (or 1 April 2004 to 31 March 2005) compared to 31 March 2004 (or 1 April 2003 to 31 March 2004). A balance sheet and a pro forma income statement at 31 March 2004 (and 1 April 2003 to 31 March 2004) has been made to allow the comparison of accounts at 31 March 2005 with those at 31 March 2004 using the same scope. The legal fees generated by the fight against counterfeiting had risen to 201 K e in the year ended March 31, 2004. Not being a constant element of the operating account, those sums had been placed in an account exceptional costs.

These legal fees are now fully recognized in operating expenses.

### 2.7. Accounting principles and valuation methods

The financial statements are prepared and presented in accordance with French regulations stops Committee of Accounting Regulation. The consolidated financial statements at 31 March 2005 are prepared in accordance with the accounting rules in compliance with the principles of prudence, independence exercises and business continuity. The evaluation methods of the various financial statement items are as follows: Goodwill is the difference between the cost of acquisition and evaluation of the share of assets and liabilities at the date acquisitions and capitalized.

#### 2.7.1. Positive Goodwill

Positive differences are amortized on a straight over periods determined case by case depending on the assumptions used in the acquisition. The differences by the Group are amortized over a period of ten years, homogeneous within the group. These differences are analyzed at each balance sheet date based on future cash flows.

#### 2.7.2. Administration fees

Establishment costs made at the opening of new structures consist of exceptional costs related to the start of the subsidiaries. Under the new regulations, these costs will henceforth be expensed.



### 2.7.3. intangible assets

The registration fee and trademark registrations paid by INPI, WIPO and other organizations provide protections for 10 years minimum. They are then renewed for a period of 10 years. These investments are amortized over the term of protection.

The exclusive reproduction licenses are amortized according to the duration of contracts, according to the linear mode. These licenses are analyzed at each balance sheet date based on future revenue flows estimated.

### 2.7.4. tangible assets

Land, buildings, technical installations and other fixed assets are valued at acquisition cost or production. The assets of foreign subsidiaries, purchased in local currency are revalued at the closing.

Depreciation is generally charged the following rates over one year on a straight and methods.

Construction	20 years	Linear
fixtures	5 to 10 years	Linear
showcases sustainable and equipment	10 years	Linear
Transportation equipment	3 years	Linear
furniture	4 to 5 years	Linear
office and computer equipment	4 to 5 years	Linear or declining
demonstration equipment	5 years	Linear

### 2.7.5. Leasing

The Group applies the preferred method of reprocessing of finance lease contracts.

Under current regulations, TCWL the claims assigned as (Receivables Facilities Born from abroad) involving transfer of ownership of the last banks no longer appear on the balance sheet.

### 2.7.6. Non-consolidated investments

Non-consolidated investments are capitalized for historical gross value, that is to say at their acquisition cost or their contribution value.

When the book value of equity is lower than the gross value, a provision is made for the difference.

The inventory value is determined by reference to the net book value and the utility value of the company.

### 2.7.7. stocks

Inventories of goods and accessories are valued at average weighted purchase cost per unit. Inventories acquired currency are valued at the purchase date.

The slow-moving items and returns of defective goods are subject to a valuation allowance.

### 2.7.8. Receivables and payables

Receivables and payables are stated at their nominal value. A provision for impairment is recorded when there is a probable loss in accordance with the precautionary principle. Provisions for impairment recognized are individualized and not the result of an overall estimate.

### 2.7.9. Provisions for risks and charges

The main assumptions used in the calculation of A provision is recognized when there is a legal or

constructive obligation to a third party, resulting from past events, probably or certainly lead to an outflow of resources and whose assessment can be carried out with sufficient reliability. Provisions include:

- pension obligations and other benefits
- Deferred tax liabilities
- Unrealized exchange losses
- Dispute

### 2.7.10. Pensions and other benefits granted to employees of French companies

Under the 99-02 norm, the retirement benefit commitments are taken into account by provisions for retirement in the group companies.

The pension provisions were calculated by evaluating using the





- Annual turnover: 6%
- the retirement Average age: 63 years
- average annual wage increase: 2%
- Discount factor: 2%

### 2.7.11. deferred taxes

The corporate income tax is recognized taking into account the deferred tax but also latent:

- "Deferred": related to temporary differences between the carrying amount and tax basis of an asset (or liability)
- "Latent": specifically related to takeovers where the tax value of stocks is different from those calculated on the fair value. Deferred tax assets related to the acquisition of USA Airsoft is particularly explained in "Note 1 Goodwill" of this Annex.

The adjustments made to the financial statements of the consolidated companies to make them consistent with Group accounting principles or to eliminate the effect of tax laws and the existence of timing differences on taxation, generate differences between taxable income and profit before tax. These differences result in the recognition of deferred taxes presented as assets or liabilities by tax entity. The practice group's liability method. The interest rate is the rate provided for French companies to 31 March 2005 is 34.33% broken down as follows:

- tax rate of corporation 33.33%
  - 3% additional contribution is 1.00%
- The interest rate is the rate provided for US companies to 31 March 2005 or 35% broken as follows:
- Tax rate on federal corporations 27%
  - Tax rates on California companies 8%

No deferred tax asset is not found on any tax losses of group companies.

### 2.7.12. Receivables and payables in foreign currencies

Receivables, debts and availabilities in foreign currencies are translated and recorded in euros based on the current market price of the transaction. At the end of the year, all operations in the balance sheet are converted based on the conversion rate on the date of the financial statements. For information, the dollar exchange rate used at March 31, 2005 was 1.2964. Unrealized exchange losses recognized on foreign exchange options and hedges of foreign currencies are provisioned.

### 2.7.13. exceptional result

Extraordinary items are income or expenses resulting from events or transactions clearly distinct group's ordinary activities and which are not, therefore, expected to recur on a frequent or regular basis.

### 2.7.14. Earnings per share

Per share basic result is calculated by dividing the net result, Group share by the weighted average number of shares outstanding during the year. The calculation of diluted earnings per share takes into account as appropriate, the consequences would have had all dilutive instruments on the calculation of the period and the number of shares. The warrants issued in the period in particular are regarded as fully converted into shares at maturity, resulting in a dilutive effect on earnings per share.

Earnings per share (in Euros)	0.46	0.41
Diluted EPS (in Euros)	0.46	0.37



### 3. EXPLANATION OF BALANCE SHEET AND INCOME STATEMENT

#### 3.1. deviations acquisition

Detailed post positive goodwill in thousands of euros:

	Dated acquisition	Value Gross Augment.	Value brute	Beginning of Depreciation period	End of period	duration
Microtrade SARL	31/12/1996	129	129	103	13	116
Softair USA	1/4/2004	604	604		60	60
<b>Total</b>		<b>129</b>	<b>604</b>	<b>733</b>	<b>103</b>	<b>73</b>
					<b>176</b>	

#### *Note on the calculation of the goodwill related to the acquisition of Airsoft USA:*

The stock Softair USA to its date of entry into the scope of consolidation consist mainly of goods originally sold by Cybergun SA.

In accordance with CRC 99.02, to eliminate the previously generated internal profit, the value of this stock was reduced at cost of purchase of products by Cybergun SA, increased direct transportation costs. The decline in the value of stock Softair USA recorded was 892 K e,

reducing its total value at 1<sup>st</sup> April 2004 to 4459 K e to 3567 K e.

Internal profits included in opening inventory and eliminated in the consolidated accounts have been subject to corporation tax, resulted in the recognition of a deferred tax asset - whose recovery is considered likely - determined based on the tax conditions for Airsoft USA. Deferred tax assets and compta-

bilisé amounts to 357 K e, for future average rate of Federal tax of 27% and a California tax rate of 8%. No other significant differences were found between the utility value (fair value) of assets / liabilities Softair USA and their carrying value at 1<sup>st</sup> April 2004. In view of the purchase price of securities of Airsoft US \$ 100K (82 K e) statutory equity of the Airsoft USA 1<sup>st</sup> April 2004 13 K e and the elimination of internal tax profits retired mentioned above, goodwill spring 604 K e.

In accordance with CRC 99.02, purchased goodwill was treated as goodwill, its components (market share, customer profitability, etc.) could not be identified and assessed separately with sufficient accuracy. Goodwill and found will be amortized over a 10 year period, we pretend reflect, as reasonably as possible the assumptions and objectives in acquiring Airsoft USA.

#### 3.2. intangible assets

Changes in intangible assets and depreciation in thousands of euros are:

Administration fees	43	10			- 1	52
Patents, concessions (2)	2417	3	20		- 1	2439
Commercial funds (1)	38		100			138
Other intangible assets	6	65	42	11	- 4	98
<b>Total</b>	<b>2504</b>	<b>78</b>	<b>162</b>	<b>11</b>	<b>- 6</b>	<b>2727</b>

(1) Including acquisition of the right to lease the new Cybergun boutique in Paris: 100K e.

(2) Licenses are analyzed at each closing based on future sales flows estimated.



Administration fees	4	8	1	- 1	12
Patents, concessions	479	1	143		623
Commercial funds					0
Other intangible assets		9	12	- 1	20
<b>Total</b>	<b>483</b>	<b>18</b>	<b>156</b>	<b>0</b>	<b>655</b>

### 3.3. tangible assets

Changes in thousands of euros were as follows:

Plant and equipment	984		312	51	- 3	1242
Transport equipment (1)	21					21
Other property	398	137	275	52	- 14	744
<b>Total</b>	<b>1403</b>	<b>137</b>	<b>587</b>	<b>103</b>	<b>- 17</b>	<b>2007</b>

(1) Including leasing restatement 21K e.

Plant and equipment	348		200	51		four hundred ninety seven
Transport equipment (2)	8		4			12
Other property	198	14	125	11	- 2	324
<b>Total</b>	<b>554</b>	<b>14</b>	<b>329</b>	<b>62</b>	<b>- 2</b>	<b>833</b>

(2) Including leasing restatement 12K e.

### 3.4. financial assets

Changes in financial assets in thousands of euros:

Non-consolidated and other investments participation (1)	32		8	12		28
Receivables from investments Other						
financial assets	129	209	121	261	- 8	190
<b>Total</b>	<b>161</b>	<b>209</b>	<b>129</b>	<b>273</b>	<b>- 8</b>	<b>218</b>
supplies						
<b>Net value</b>	<b>161</b>	<b>209</b>	<b>129</b>	<b>273</b>	<b>- 8</b>	<b>218</b>

(1) Purchases and sales of unconsolidated equity interests concern the strengthening of capital in CHL and the sale of this subsidiary.



Non-consolidated investments include:

Freiburghaus (31/12/2004)

22.22

285

19

25

The utility value of non-consolidated investments is estimated based on equity recorded as of March 31, 2005 and the results of the previous year. The utility value of the company Freiburghaus is higher than the net book value of the company at the balance sheet of Cybergun group.

Breakdown of other financial assets by maturity:

Security Deposits	190	24	166
<b>Total</b>	<b>190</b>	<b>24</b>	<b>166</b>

### 3.5. Merchandise Inventory

The net book value of the merchandise inventory at March 31, 2005 amounted to 8,403 K e against 2940 K e March 31, 2004. The significant increase of the stock due partly to the purchase of the company Airsoft USA and also reflects the increase in the customer base in the US and the potential that results. The stock at 31 March 2005 represents about 6 months of sales based on current expectations.

gross values	3047	3594	2281	- 358	8564
Provisions / amortization	- 107		- 54		- 161
<b>net values</b>	<b>2940</b>	<b>3594</b>	<b>2227</b>	<b>- 358</b>	<b>8403</b>

### 3.6. receivables

Breakdown of receivables by type and maturity in thousands of euros:

Customer receivables and accounts piecing	4959	4959	175	4784
Advances, payments on orders	71	71		71
Deferred tax assets	767	767		767
other receivables	1100	1100		1100
<b>Total</b>	<b>6897</b>	<b>6897</b>	<b>175</b>	<b>6722</b>



### 3.7. Deferred tax assets

The amount of the deferred tax liability is analyzed as follows:

nondeductible Accumulated depreciation	51	
loss carryforwards Cybergun USA (1)	139	
Organic	13	
Provision for retirement	25	
Neutralization of intragroup margin to 31 March 2005 (2)	551	
Unrealized gain on foreign exchange currency loans		12
<b>Total</b>	<b>779</b>	<b>12</b>
<b>net</b>	<b>767</b>	

(1) loss carryforwards Cybergun USA amounted to March 31, 2005 to 397 K e. These can be used by the subsidiary Softair USA on Civil years 2005 and 2006.

They generate a 139 K tax savings e based on an average estimated future tax rate to 35%. The tax savings can be realized as soon as the merger between the companies Cybergun Softair USA and USA will be effective (intragroup restructuring mentioned in note 5.3 of this Annex).

(2) Internal profits included in ending inventory and eliminated in the consolidated financial statements, which have already been subject to corporation tax, resulted in the recognition of a deferred tax asset - whose recovery is considered probable - determined according to the tax conditions applicable to each of the subsidiaries. Deferred tax assets and recorded amounted to 609 K e, and is distributed as follows:

- The elimination of the margin on stocks of goods Softair USA, originally sold by Cybergun SA for € 1,523 K e generates a deferred tax asset of 533 K e.
- The elimination of the margin on stocks of goods Cybergun USA, originally sold by Cybergun Softair USA and SA for \$ 47K e generates an active tax 16K e.
- The elimination of the margin on goods stocks ASG, originally sold by Cybergun SA for a total of 8 K e generates a deferred Tax 2 K e.

### 3.8. Treasury shares

On 31 March 2005, the securities included 1,494 own shares against 7,052 shares at 31 March 2004 (Cybergun shares) for a total purchase price of 17 K e. The market value of treasury shares was March 31, 2005 to 22 K e based on the share price of the company Cybergun SA 14.90 e.

The opening provision attached to these securities has been resumed during the year in accordance with the favorable share price Cybergun.





### 3.9. equity

Statement of changes in consolidated equity, Group share (in thousands):

	Capital	premiums	consolidated	exercise	of con- version	capital OWN
<b>Situation at the end 31-03-02</b>	<b>610</b>		<b>1706</b>	<b>1158</b>	<b>0</b>	<b>3474</b>
<b>movements</b>						
• Allocation of profit last year			598	- 598		
• The result of the exercise				310		310
• Changes in capital of the parent company (1)	105	1788				1893
• Distributions made by the consolidating company				- 560		- 560
<b>Situation at the end 31-03-03</b>	<b>715</b>	<b>1788</b>	<b>2304</b>	<b>310</b>	<b>0</b>	<b>5117</b>
<b>movements</b>						
• Allocation of profit last year			310	- 310		0
• The result of the exercise				1028		1028
• Currency translation					5	5
• Changes in capital of the parent company (1)	17	338				355
• Distributions made by the consolidating company			- 695			- 695
<b>Situation at the end 31-03-04</b>	<b>732</b>	<b>2126</b>	<b>1919</b>	<b>1028</b>	<b>5</b>	<b>5810</b>
<b>movements</b>						
• Allocation of profit last year			1028	- 1028		
• The result of the exercise				932		932
• Currency translation					- 2	- 2
• Changes in capital of the parent company (1)	20	630				650
• Distributions made by the consolidating company			- 1247			- 1247
<b>Situation at the end 31-03-05</b>	<b>752</b>	<b>2756</b>	<b>1700</b>	<b>932</b>	<b>3</b>	<b>6143</b>

(1) The change in share capital and premium of Cybergun SA issuance during the year resulting from the payment of part of the dividend in shares of the company.

The subsidiaries of the consolidated group is 100% owned, there is no minority interest.

### 3.10. Provisions for risks and charges

Provisions for risks and charges (excluding deferred tax liabilities) are broken down as follows (in thousands):

<b>Risk provisions</b>	167	52	167	52
<b>Provisions for expenses</b>	23	50		73
<b>Total</b>	<b>190</b>	<b>102</b>	<b>167</b>	<b>125</b>

Reversals of provisions relate to exchange losses which were fulfilled during the period. The balance of risks to forecasts March 31, 2005 includes:

- an industrial tribunal litigation in progress,
- unrealized losses related to financial products of interest rate hedging. The tax audit of the company Cybergun SA described in Note 1.6 is not provisioned.

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#### URSSAF Control

**Cybergun** The company has been a URSSAF recovery under ZFU exemptions amounting to 154 K e. Faced with little consistency URSSAF's file and depending on the positions taken by the lawyers of the company, it had been spent no provision in previous years. On 8 April 2003, the case was reviewed by the Appeals Board of the URSSAF and conclusions now its position is based on any new evidence but are only the resumption of the recovery notification. The file that was passed in the year in Social Security Affairs Tribunal, the latter has still not delivered to date. Consequently, the position adopted by the Cybergun company at the close of March 31, 2003 is maintained and no provision has been recorded.

#### 3.11. Job description goodwill negative goodwill

None.

#### 3.12. Deferred tax liabilities

None.

#### 3.13. Borrowings

Details of loans by type and maturity (in thousands of euros):

Loans from banks	5242	1004	4003	235
Liabilities on finance leases	8	5	3	
Bank overdrafts	2581	2581		
Other	1479	1479		
Accrued interest	81	81		
<b>Total</b>	<b>9391</b>	<b>5150</b>	<b>4006</b>	<b>235</b>

The bank loans are secured by pledges of goodwill amounting to 1,422 K e.

The increase in loans over the period helped finance the increase in working capital resulting from the strong growth of the US market.

#### 3.14. Financial instruments

##### • Risk variable rate:

bank loans with variable

rates	2016	157	1859
<b>TOTAL</b>	<b>2016</b>	<b>157</b>	<b>1859</b>

##### • Risk of change :

There are more instrument excluding currency balance sheet at 31 March 2005 (options, futures sales).

Loans from banks	1806	97	1709
Liabilities on finance leases			
Bank overdrafts Other			
	855	855	
Accrued interest	14	14	
<b>Total</b>	<b>2675</b>	<b>966</b>	<b>1709</b>



### 3.15. Effective

The employee workforce includes salaried workforce, that is to say all persons having an employment contract and paid by the group and the staff available, temporary staff and seconded or loaned to the company for entities fully consolidated. Average number of employees broken down by category:

employees	40	21	20
Apprentices under contract	0	1	
managerial staff	15	10	8
<b>Total</b>	<b>55</b>	<b>32</b>	<b>28</b>

### 3.16. Reversal of depreciation and provisions

The depreciation, amortization and provisions break down as follows:

Reversal of operating provisions and charge transfers	91	267
- whose recovery provisions on current assets	55	56
- whose recovery risk provisioning and operating expenses	15	10
- Transfers charge	21	101
financial provisions Resume	123	142
- whose recovery provisions on own shares	6	44
- including recovery of provisions for exchange loss	117	98
<b>Total</b>	<b>214</b>	<b>309</b>

### 3.17. Depreciation and amortization

Depreciation and amortization in thousands of euros are distributed as follows:

<b>Depreciation and amortization :</b>		
• Intangible assets	156	141
• Tangible assets	286	199
• Of deferred charges	13	14
<b>Additions to provisions:</b>		
• Impairment of current assets	264	104
• For risks and charges	50	55
• Impairment of financial items	17	117
• exceptional provision	42	
<b>Total</b>	<b>828</b>	<b>630</b>



### 3.18. bottom line

Foreign exchange gains	780	672
Foreign exchange losses	- 1038	- 1125
Foreign exchange income (1)	- 258	- 453
Interest income	121	212
Interest expense	- 696	- 345
Net interest (2)	- 575	- 133
Change in provisions and reversals of provisions for exchange	107	- 95
Capital gains on sale of treasury shares	4	
<b>bottom line</b>	<b>- 722</b>	<b>- 561</b>

(1) The sharp decrease in foreign exchange loss in the period compared to that found in previous financial statements results from any decline in Euro / dollar over the year. (2) Including 333 K e of Airsoft USA.

### 3.19. exceptional result

Exceptional items in thousands of euros can be broken down as follows:

Sale price of assets sold	65	4
Others products	86	121
Net book value of assets sold	- 95	- 13
exceptional depreciation	- 42	
Other extraordinary charges	- 196	- 229
<b>exceptional result</b>	<b>- 182</b>	<b>- 117</b>

Non-recurring costs totaling 100 K e recognized in operating expenses were incurred in connection with the free allocation of stock warrants and in particular for producing the AMF reference document related. Similarly, the following non-recurring costs were recognized immediately in operating expenses:

- New product development M4A1 318 K e,
- Operating loss of 5 French shops (50 K e) and shops in the USA (356 K e)
- redundant insurance: 41 K e.

### 3.20. Income tax

Rationalization of tax:

Operating income	2115	- 358	1757
bottom line	- 722	122	- 600
exceptional result	- 182	31	- 151
Goodwill on acquisitions	- 73		- 73
<b>Total</b>	<b>1138</b>	<b>- 205</b>	<b>933</b>

The reconciliation March 31, 2005 between the standard rate of tax and the effective rate is:

Income tax	601	384
+ Deferred taxes	- 396	- 11
= Effective tax charge on the consolidated results	205	373
- Theoretical tax rate 34% (1)	- 411	- 471
= Tax Difference	- 206	- 98

The tax rate on medium companies within the group Cybergun is 34% over the year. The difference of 206 K e between the theoretical tax expense results and the actual tax expense results from the 2 following:

- Obtaining a 192 K Credit Research e the Company Cybergun SA.
- The recognition of a deferred tax asset of 14 K e the tax loss carryforwards of society Cybergun USA generated over the period 2003/2004.



#### 4. OTHER INFORMATION

##### 4.1. Segment information in € thousands

The Group operates in a single business: the distribution of fake replica weapons for shooting sports or leisure, video games and collectors.

31/03/2005 exercise

Net Tangible Assets	33	1141	1174
Turnover (12 months)	3468	21608	25076
Operating income	1630	485	2115

31/03/2004 exercise

Net Tangible Assets	95	756	851
Turnover (12 months)	2964	16983	19947

The total sales generated in the US rises for the year of 31 March 2005 16 085 K e.

##### 4.2. Airsoft of US treasury impact on operating profit of the group

The contribution Airsoft USA in the operating result of the Group at 31 March 2005 was positive and amounted to 812 K e.

The contribution Airsoft USA in net profit after tax of the Group at 31 March 2005 is positive and amounts to 92 K e.

##### 4.3. Commitments and contingencies

Commitments given or received in thousands of euros by the Group are analyzed as follows:

###### commitments given

Notes receivable discounted	519
Guarantees	0
equipment leasing	14
Pledge of goodwill	1422
Amount of receivables sold (mobilization of receivables from abroad)	435
Nominal currency options purchased unexpired	0
Forward sales of unexpired currency	0
Nominal value of currency options purchased and unexpired interest rate swaps	1500

##### 4.4. Executive Compensation

The total compensation of parent company's administrative bodies amounted to 149 K e.

##### 4.5. Stock Options Plan

The total number of stock options granted to employees of Cybergun group is 1900 March 31, 2005, against 2300 to March 31, 2004. The decrease of 400 stock options resulting from the departure of an employee without the latter was able to exercise its rights. The conditions are: 1 option gives the right to subscribe for one existing share Cybergun priced at 14.5 e between 11 May 2005 and 11 May 2008. The exercise of these options does not result in a capital increase. These options have therefore no impact on diluted earnings per share.





#### 4.6. Cash flow (K g)

##### Cash flows for the activity

Net income of consolidated companies	1028	932
Elimination of expenses and income not affecting cash or not related to operations:		
- Amortization and provisions	384	507
- Change in net deferred taxes	- 11	- 395
- Gain on disposal net	10	5
<b>Cash flow from consolidated companies</b>	<b>1411</b>	<b>1049</b>
working capital requirement Changes related to operating activities	- 966	- 2960
<b>net cash flow generated by the activity (A)</b>	<b>445</b>	<b>- 1911</b>
<b>Cash flows from investing activities</b>		
Acquisitions of fixed assets	- 354	- 877
Disposals of property	+3	313
Effect of changes perimeters		154
<b>Net cash used in investing activities (B)</b>	<b>- 351</b>	<b>- 410</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the parent company	- 342	- 598
Capital increase in cash and issue premium	1	1
Net change in loans	1284	1372
<b>Net cash used in financing activities (C)</b>	<b>943</b>	<b>775</b>
<b>cash variation (A + B + C)</b>	<b>1037</b>	<b>- 1546</b>
Impact of currency fluctuations	- 3	- 13
Opening cash	388	1422
Closing cash	1422	- 137

#### 5. POST-CLOSING EVENTS

Industrial Zone Bordes - 9-11, rue Henri Dunant 91000 Bondoufle.

##### 5.1. Sale of French shops

In line with its exit strategy of direct sales to individuals, society Cybergun SA sold in April 2005 the French retail network totaling 344 K e divided into 258 K e intangible and 85 K e corporal, to focus on the sale of goods to wholesalers. The shops sold remain specialized in selling products Cybergun. The impact of this sale on the income statement for the year ended March 31, 2006 will be positive by about 120 K e.

##### 5.2. Headquartered transfer

The Board of Directors of the company decided Cybergun SA dated 24 May 2005 to transfer the headquarters of the latter at the following address:

##### 5.3. Merging entities Cybergun Softair USA and USA

A merger agreement must be signed between the US and subsidiaries Cybergun Softair USA. The completion of the transaction will be in the next fiscal year and will in particular realize tax savings related to the company's accumulated deficits Cybergun USA which amount to 397 K e March 31, 2005. This future tax savings is already recognized in the financial statements March 31, 2005 as a deferred tax receivable 139 K e, as mentioned in note 3.7 of the annexes hereto. This internal group restructuring will have no impact on future consolidated financial statements, these two subsidiaries are exclusively held by the Cybergun group.



## General Report of the Auditors

### Cybergun SA

Headquarters: 11, rue du Petit Port - 75005 PARIS

Capital: 751 740 €

#### General Report of the Auditor

Year ended 31 March 2005.

Ladies and gentlemen,

In compliance with the assignment entrusted to us by the General Assembly, we present our report for the year ended March 31, 2005 on:

- the audit of the annual accounts of the company Cybergun SA, as attached to this report;
- the justification of our assessments;
- The specific procedures and information required by law.

The annual accounts were approved by the Board on 28 June 2005. It is our responsibility, based on our audit, to express an opinion on these accounts.

#### 1 / Opinion on the annual accounts

We conducted our audit in accordance with professional standards applicable in France. These standards require the implementation of dilig-ments to obtain reasonable assurance whether the financial statements are free of defects significatives. Un audit includes examining, on a test basis, evidence supporting the data contained in these accounts. An audit also includes assessing the accounting princi-les used and significant estimates made in the preparation of financial statements and evaluating their presentation together. We believe that our audit provides a reasonable basis for the opinion expressed below.

We certify that the annual financial statements, in light of French accounting rules and principles, honest and sincere and fairly present the results of operations for the year and the financial position and assets of the company at the end of this exercise.

#### 2 / Basis for assessment

Pursuant to Article L. 225-235 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- As indicated in Note A of the Annex, the company Cybergun SA has made or is the subject of tax audits on the 2000 fiscal 2004. A recovery notification was issued by the tax authorities for the years ended in 2000 and 2001 up to 339 K e.
- By a decision of the Board dated 11 January 2005, Cybergun has challenged this position and selected on the basis of a legal argument, not the contingent liability provision in the accounts. As part of our assessment of sufficient risk coverage for the financial statements, we proceeded to the reasonableness of the estimates. The assessments were made in the context of our audit of the financial statements taken as a whole and therefore contributed to the formation of our opinion expressed in the first part of this report.

#### 3 / Specific verifications

We also performed in accordance with professional standards in France, the specific verifications required by law.

We have no comment to make on the sincerity and consistency with the financial statements of the information given in the Special Rapporteur Port Management Board and in the documents sent to shareholders on the financial position and the financial statements. In law enforcement, we ensured that the information relating to shareholdings and controlling interests and the identity of the shareholders has been properly disclosed in the management report.

Done at Laval and Paris, July 5, 2005

The Statutory Auditors

FIDELIO

KPMG Audit

Jean-Louis Rouzé  
associate

Franck Noël  
associate

Pascal Chancereul  
associate

## Report of the Auditors on the consolidated accounts

Year ended 31 March 2005.

In compliance with the assignment entrusted to us by your General Meeting, we have audited the consolidated accounts of CYBERGUN for the year ended 31 March 2005, as attached to this report. The consolidated financial statements were approved by the Board of Directors. It is our responsibility, based on our audit, to express an opinion on these accounts.

#### I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; These standards require the implementation of procedures to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made in the financial statements and evaluating their overall presentation. We believe that our audit provides a reasonable basis for the opinion expressed below our opinion, the consolidated financial statements, under the rules and French accounting principles, regular and sincere and give a true picture of the assets,

#### II - JUSTIFICATION OF ASSESSMENTS

Pursuant to the provisions of Article L. 225-235 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- Goodwill acquired subsequent to the takeover on 1 April 2004 the company SOFTAIR USA, and whose calculation and amortization are presented in Note "3.1 Goodwill" of the notes, was the object from us a review particulier. Nous have assessed the appropriateness of the methodology implementation and consistency of assumptions and data used.
- The note "3.7 Deferred tax assets" in the appendix, announces a deferred tax asset of 139 K e from loss carryforwards of the subsidiary Cybergun USA. The merger ahead, recalled in note "5.3 Merger of entities and SOFTAIR CYBERGUN USA USA" in the notes, and planning documents from 2005 to 2006 with their assumptions, releases to date, allow us to justify the consideration of this deferred tax asset, highlighting the effective realization condition of the merger of the two entities during 2005-2006.
- also recalled in the management report of the Board of Directors, the note "1.6 Tax audit" of the notes pre-ise that the company CYBERGUN SA is the subject of a tax audit procedure by the tax authorities French for the years 2000 to 2004, the proposal addressed to rectify the fiscal years ending in 2000 and 2001 up to 339 K e is disputed by the Company, including the Board of Directors on January 11, 2005 has chosen, on the basis of a legal argument, not the contingent liability provision in the statutory and consolidated accounts at 31 March 2005. In the our assessment of sufficient risk coverage to the financial statements, we have carried out an assessment of the reasonableness of the lack of supply. The assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

#### III - Specific verifications and information

Moreover, we have also verified the information relating to the Group given in the report on the management of the group. We have no comment to make on the fairness and consistency with the consolidated financial statements.

Paris and Laval, July 5, 2005

The auditors

KPMG Audit - KPMG SA Department  
Represented by  
Pascal and Franck Chancereul Christmas  
Auditors

FIDELIO  
Represented by  
Jean-Louis Rouzé  
External Auditor



## Statutory Auditors Report

### Cybergun SA

Headquarters: 11, rue du Petit Pont - 75005 PARIS

Capital: 751,740 e.

Auditor's report, prepared in the last paragraph of Article L. 225-235 of the Commercial Code, on the report of the Chairman of the Board of Directors of the company Cybergun SA regards the control procedures internal relating to the preparation and processing of accounting and financial information.

Year ended 31 March 2005.

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Cybergun SA and pursuant to the last paragraph of Article

L. 225-235 of the French Commercial Code, we hereby report on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the Commercial Code in respect of the year ended 31 March 2005.

Under the responsibility of the board, it is for management to define and implement adequate and effective internal control procedures. The Chairman is accountable in its report, including the conditions of preparation and organization of the Board of Directors and internal control procedures implemented within the company. It is our responsibility to inform you of any observations on the information given in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. We conducted our work in accordance with professional standards applicable in France. This requires the implementation of des- tinées diligence to assess the accuracy of the information given in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. These procedures include:

- understanding of the objectives and general organization of internal control and internal control procedures relating to the preparation and processing of accounting and financial information presented in the Chairman's report;
- Examining the work underlying the information provided in the report.

Based on this work, we have no comment to make data information on the internal control procedures of the company relating to the preparation and processing of accounting and financial information contained in the report of Chairman of the Board of Directors, prepared in accordance with the last paragraph of Article L. 225-37 of the French commercial Code.

Done at Laval and Paris, July 5, 2005

The Statutory Auditors

FIDELIO

KPMG Audit

Jean-Louis Rouzé  
associate

Franck Noël  
associate

Pascal Chancereul  
associate

# A global exclusive license portfolio

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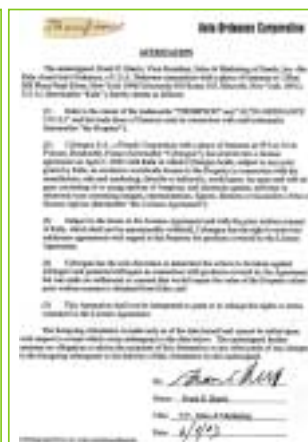
Thomson



Uzi

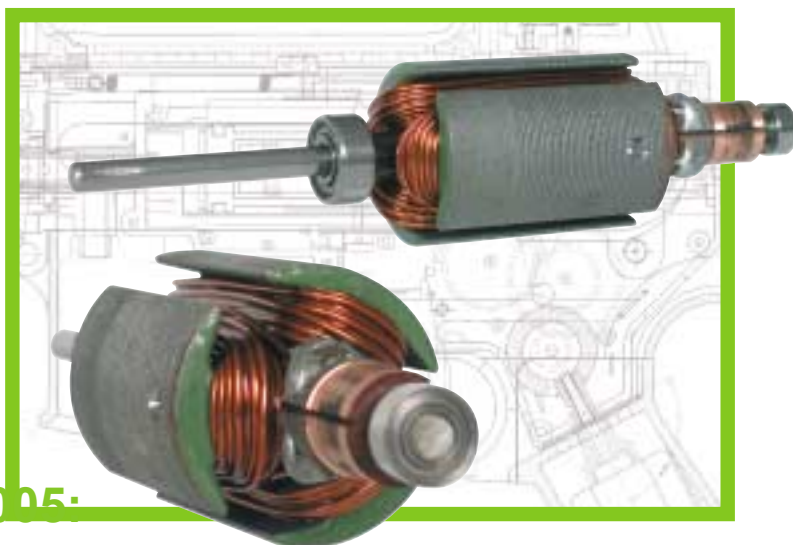


Desert Eagle



## ► Exclusive CYBERGUN 2005:

**Premium  
engine for  
replicas  
long  
electric.**



## ► New CYBERGUN 2005:



**COLT M4A1 equipped with  
the BAX system for optimal  
precision!**

With BAX, patent filed by CYBERGUN in 2004, this faithful replica of the latest version of the actual Colt M4A1 offers shooting improved accuracy and range.

His butt 6 positions (4 in the old version) allows to adapt the length of the stick according to the size of the shooter. A multitude of small details in the finish COLT M4A1 Cybergun (motor, gears, piston) make this model a true "series of custom".



RC PARIS B 337 643 795